



# WE'RE GAME

TO EXCITE AND TO ENTERTAIN  
ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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# ABOUT RANK

We operate three established gaming brands: Mecca, Grosvenor Casinos and Enracha, and the recently acquired YoBingo.

During the year we launched a new online brand Bella Casino and opened three new experimental high street venues under the Luda brand.

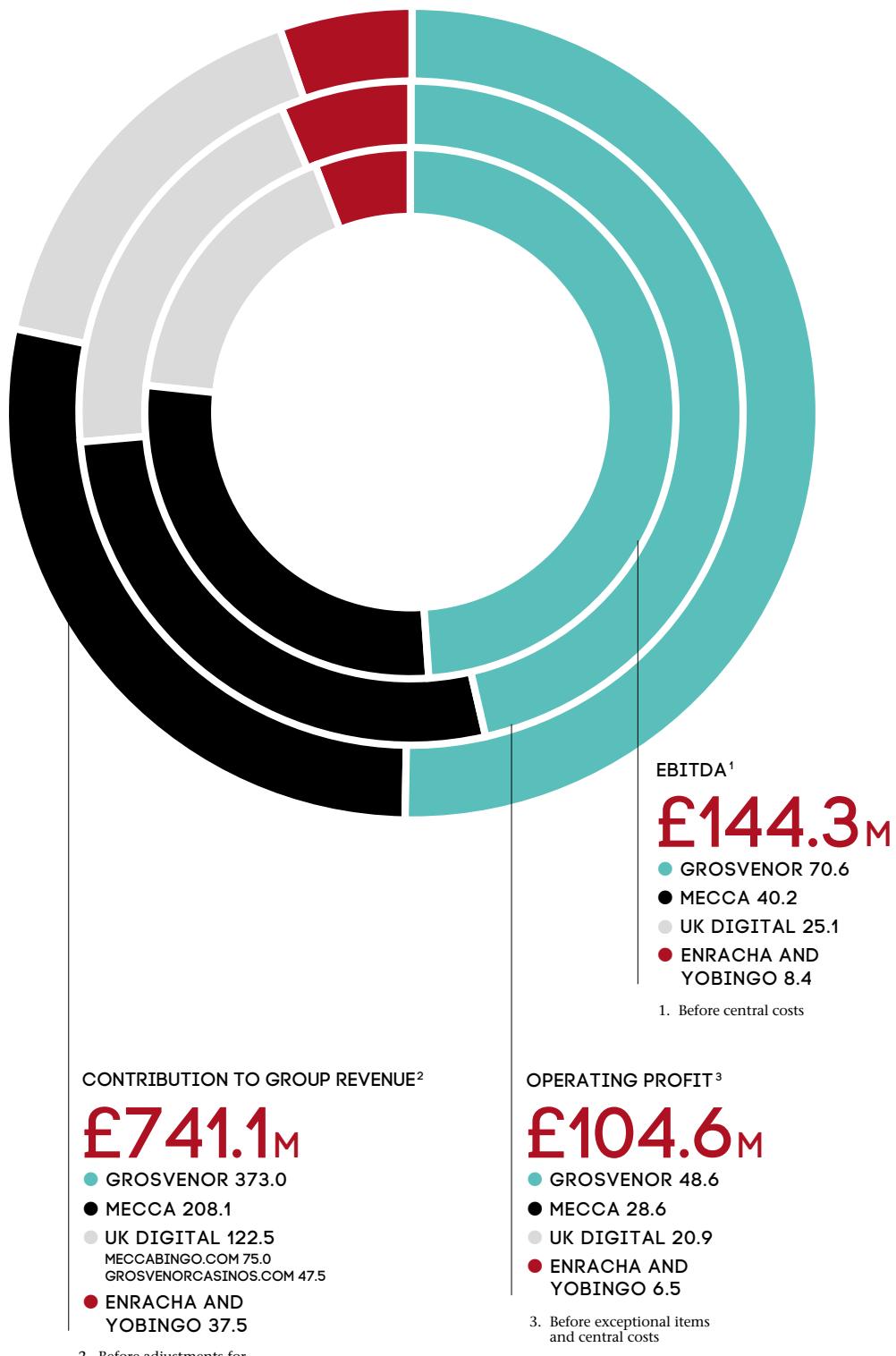
Rank's retail businesses operate through 149 venues in Great Britain, Spain and Belgium.

Rank also operates complementary digital offers under its UK, Alderney and Spanish gambling licences.

In the markets where we operate, Rank is one of the few gaming companies able to offer a genuine multi-channel gaming proposition.

# DELIVERING THROUGH OUR BRANDS

## OUR BRANDS



# AT A GLANCE

## RETAIL AND DIGITAL



### VENUES

**2ND**

LARGEST OPERATOR (BY VENUES) IN GREAT BRITAIN

**84**

LICENSED BINGO VENUES IN GREAT BRITAIN

### DIGITAL

MECCABINGO.COM: ESTABLISHED UK DIGITAL BINGO BRAND



### VENUES

**BIG!**

LARGEST (BY VENUES) IN GREAT BRITAIN

**52**

LICENSED CASINOS IN GREAT BRITAIN AND ONE IN BELGIUM

### DIGITAL

GROSVENORCASINOS.COM: UK DIGITAL CASINO BRAND

## RETAIL



### VENUES

**3**

LICENSED HIGH STREET BINGO VENUES IN GREAT BRITAIN

## DIGITAL



### DIGITAL

**NEW**

BELLACASINO.COM: NEWLY LAUNCHED DIGITAL SLOTS-LED BRAND



### VENUES

**4TH**

LARGEST OPERATOR IN SPAIN; NINE LICENSED BINGO VENUES IN SPAIN



### DIGITAL

**2ND**

YOBINGO.ES: SECOND LARGEST DIGITAL BINGO BRAND IN SPAIN

## OUR PURPOSE:

To excite and entertain.

We bring excitement and entertainment  
to the customers and communities we serve.



## OUR AMBITION:

To be the UK's leading multi-channel  
gaming operator, creating value for our shareholders,  
having strong brands which will meet customer  
needs and delivering operational excellence  
in venues and digital channels.

Visit [rank.com](http://rank.com) to find out more about our business.





# GROSVENOR ONE

## PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Innovation is the start point for Grosvenor One, but its real value lies in our ability to give customers greater control, whilst using technology to create value through the delivery of targeted and relevant awards.

Core customer benefits delivered through the Grosvenor One programme include:

### 1. REWARDS

- Customers will be able to continue to collect and redeem Play Points, if they are doing so already, but this will be significantly enhanced through a shift away from 'earn and burn' loyalty to 'surprise and delight' rewards; and
- what's more, the value and frequency of the rewards will reflect the depth and breadth of the relationship we have with the customer in question.

### 2. OFFERS

- With more rich customer data gained through sign-up and player tracking, we will be able to offer a better, more relevant range of promotional offers through the Grosvenor One programme; and
- once again, a more engaged customer playing in more than one channel will access a greater, more valuable, range of offers.

### 3. CONTROL

The single account and wallet functionality, that is central to the Grosvenor One proposition, gives customers far more flexibility and control in a number of ways:

- ability to deposit and withdraw whilst on the move, online or in a casino;
- ability to top up their wallet at a gaming machine and use winnings to play in our casinos;
- faster access to online winnings by withdrawing cash from any of our casinos;
- ability to use casino winnings online; and
- a record of all their gaming transactions across both Grosvenor channels.



# G





## EXPAND OVERSEAS DIGITAL INTEGRATION AND GROWTH

### Acquisition and integration of YoBingo

This acquisition on 21 May 2018 enables Rank to establish a meaningful digital presence in a high-growth regulated Spanish market.

Pre-acquisition, YoBingo was the second largest online bingo operator in Spain with approximately 37% of the online bingo market. Established in 2012, shortly after Spain regulated online gambling, YoBingo is now a well-recognised brand which offers substantial potential to grow and consolidate its market position.

The acquired team, technology and customer base also offers synergy potential with Rank's current Spanish operation, Enracha. In time, the acquired proprietary platform can be leveraged to support Enracha's digital bingo operations.

In the year ended 31 December 2017, the acquired business generated revenue of €10.4m and earnings before interest and tax ('EBIT') of €2.5m.<sup>1</sup>

This additional digital revenue helps Rank diversify its digital revenues beyond the UK.

**"YoBingo is a well-established operation that we intend to further develop and cross-sell into our established Spanish retail operation."**

**JOHN O'REILLY**  
Chief Executive Officer

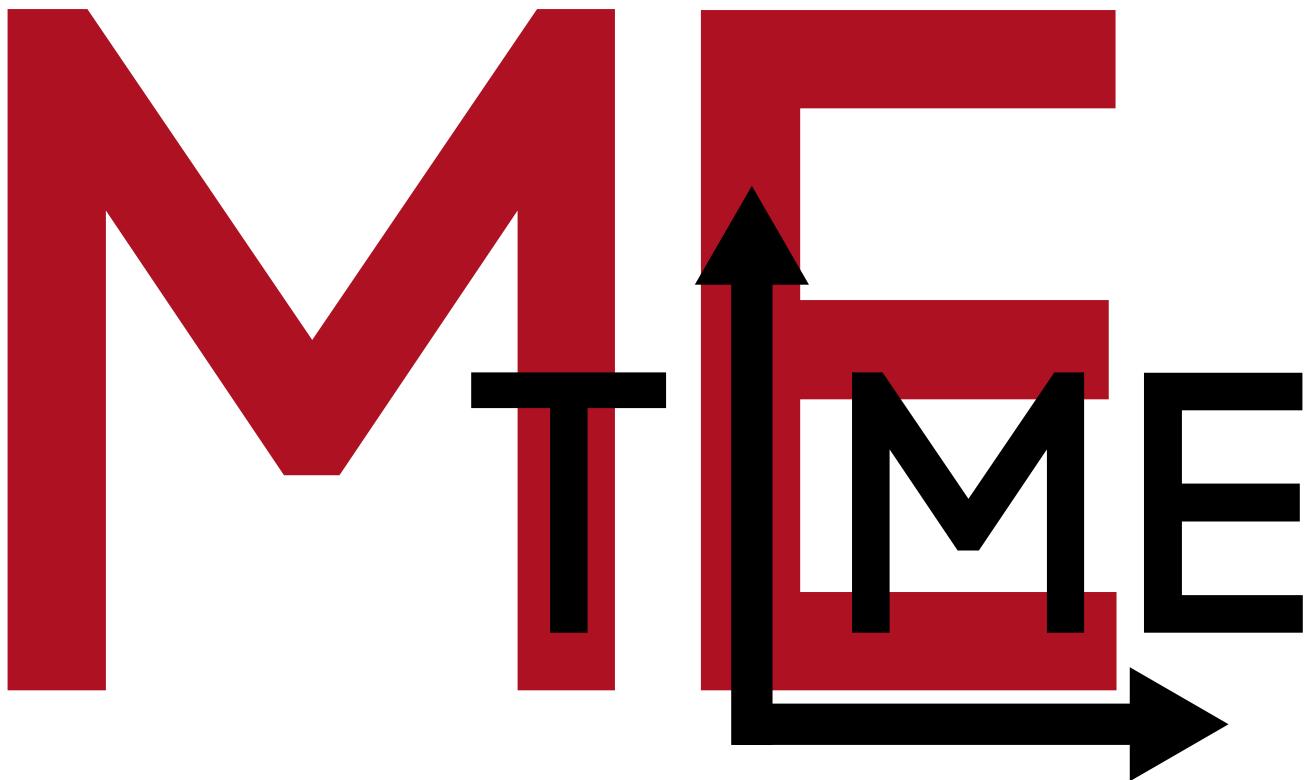


1. Unaudited; YoBingo management.

# G

# A





## EVOLVING OUR PROPOSITION

### LONDON CASINO ACTIVITY

During the year, a review of Grosvenor's London casino estate was carried out which led to the creation of eight separate and distinct customer propositions. The ambition is to use these propositions as the foundation for creating clear and different reasons for customers to visit each of our venues.

It is essential that both the customer experience and environment are right in creating these unique experiences.

#### CUSTOMER EXPERIENCE

- 'Project Experience' has recently started its roll-out across the casino estate. This is a standards-setting and training programme focused on delivering the optimal customer experience;
- new general managers have been appointed at The Victoria (Edgware Road), The St Giles (Tottenham Court Road), Gloucester (Kensington) and The Park Tower (Knightsbridge) casinos. Two of the

four appointments were made from outside of the Group and bring with them years of high-profile experience in the casino industry; and

- a new VIP team has recently been appointed. A new London VIP strategy is in development and will focus on attracting new high-value customers and developing the relationships with our existing customers.

#### ENVIRONMENT

During the year, The Rialto (formerly The Piccadilly), The Golden Horseshoe, The Barracuda and St. Giles casinos all received material investment.

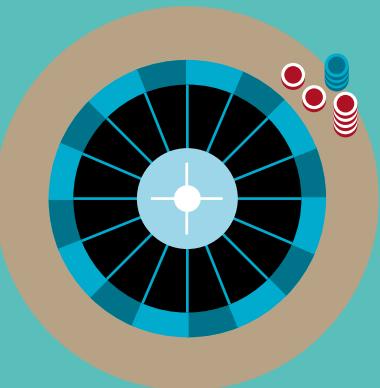
- The Rialto: a £2.0m comprehensive refurbishment to optimise and modernise the offer aimed at attracting higher spending transactional Chinese customers;

- The Golden Horseshoe: a £1.2m refurbishment to create a luxurious and comfortable gaming environment to attract transactional and VIP customers;

- The Barracuda: a £2.3m refurbishment to create a more sophisticated and modern casino to attract transactional and VIP customers. The second phase refurbishment of The Barracuda casino is due to be completed in H1 2018/19; and

- The St Giles: a £0.5m investment has delivered both new experiential gaming product and high impact signage inside and outside of the casino. The aim of the investment is to create a more relaxed and playful environment.

# STRAT REPOR



## STRATEGIC REPORT

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# GROUP KPIs

The following charts illustrate the Group's performance for the 12-month periods to 30 June over the last five years

## STATUTORY REVENUE

**£691.0M**

Statutory revenue is a statutory indicator of the Group's top-line growth. It is revenue retained from the amounts staked after paying out customer winnings and deducting customer incentives.

2018	691.0
2017	707.2
2016	708.5
2015	700.7
2014	678.5

## OPERATING PROFIT<sup>1,2</sup>

**£77.0M**

Operating profit provides a picture of underlying performance and is a key indicator of the Group's success in delivering top-line while controlling costs.

Operating profit fell by 7.8% in the year following lower revenues from the Group's retail business and higher costs in UK digital.

2018	77.0
2017	83.5
2016	82.4
2015	84.0
2014	72.4

## EARNINGS PER SHARE

**9.2P**

Earnings per share (EPS) is a key indicator of the Group's growth after allowing for all costs, including interest, tax and exceptional items and adjustments. The decrease in EPS reflects the lower profit for the year.

2018	9.2
2017	16.1
2016	19.1
2015	19.1
2014	5.2

## DIVIDEND PER SHARE

**7.45P**

Dividend per share (DPS) is the sum of declared dividends issued by the company for every ordinary share outstanding. DPS increased in the year by 2.1%, reflecting the board's confidence in the Group's strategy and the strong balance sheet position.

2018	7.45
2017	7.30
2016	6.50
2015	5.60
2014	4.50

## NET DEBT<sup>1</sup>

**£9.3M**

Net debt is calculated as total borrowings less cash and short-term deposits, accrued interest and unamortised facility fees.

Net debt has continued to fall in the year, despite the £16.5m cash outflow on the acquisition of YoBingo.

2018	(9.3)
2017	(12.4)
2016	(41.2)
2015	(52.9)
2014	(137.0)

**REVENUE<sup>1,3</sup>****£741.1M**

Revenue is the key indicator of the Group's top-line growth. It is revenue retained from the amounts staked after paying out customer winnings. In 2018, Group revenue was 1.9% lower in the year. Within this, UK venues revenues fell by 4.9%, whereas UK digital revenues grew by 9.9%.

2018	741.1
2017	755.1
2016	753.0
2015	738.3
2014	707.7

**ADJUSTED OPERATING PROFIT BEFORE TAX<sup>1,4</sup>****£74.3M**

Adjusted operating profit is operating profit adjusted for certain non-underlying items. Adjusted operating profit fell by 6.3% in the year.

2018	74.3
2017	79.3
2016	77.4
2015	74.1
2014	62.5

**ADJUSTED EARNINGS PER SHARE<sup>1,5</sup>****15.0P**

Adjusted EPS is a key indicator of the Group's growth after allowing for all costs, including interest and tax but excluding exceptional items and adjustments. The decrease in EPS reflects the lower profit for the year.

2018	15.0
2017	16.0
2016	15.4
2015	14.6
2014	12.4

**EBITDA<sup>1,6</sup>****£120.0M**

EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional and non-underlying items. It is calculated by taking operating profit before exceptions and non-underlying items and adding back depreciation and amortisation. EBITDA fell by 6.8% in the year, principally due to lower earnings.

2018	120.0
2017	128.8
2016	128.2
2015	126.3
2014	116.0

1. Alternative performance measure.

The performance of the Group is assessed using a number of alternative performance measures (APMs). The Group's results are presented both before and after exceptional and non-underlying items. Adjusted profitability measures are presented excluding exceptional and non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance between one period and the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of exceptional and non-underlying items provided in note 4.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts and the Group's longer-term strategic plans.

2. Before exceptions.

3. Before adjustments for customer incentives.

4. Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of the discount on disposal provisions and other financial gains and losses resulting from foreign exchange gains and losses on loans and borrowings. See financial review for reconciliation.

5. Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, the unwinding of the discount on disposal provisions and the related tax effects, as per note 9.

6. EBITDA is reconciled in note 19.

# DEAR SHAREHOLDER

**“The Board has full confidence in the strategic direction of the Group and the new leadership team, who are focused on operational improvements to drive sustained profit growth.”**

**IAN BURKE**  
Chairman



**Rank’s aim is to be the UK’s leading multi-channel gaming operator. The Group looks to meet this goal through delivering against its five strategic pillars:**

1. create a compelling multi-channel offer;
2. build digital capability and scale;
3. develop our venues;
4. invest in our brands and marketing; and
5. use technology to drive efficiency and improve customer experience.

Further detail of the Group’s progress against these pillars can be found in the Strategy and KPIs and Operating review sections of this report.

## FINANCIAL PERFORMANCE

2017/18 has been a challenging year for the Group driven principally by a disappointing performance from Grosvenor’s casinos.

Revenue<sup>1</sup> for Grosvenor Casinos declined by 6.1% in the year. Performance was materially impacted by further enhanced customer due diligence following the published advice of the UK Gambling Commission in September 2017. Consequently, customer visits declined resulting in revenue<sup>1</sup> falling 9.9% in H2 compared to a 2.4% fall in H1. Grosvenor’s performance was further hindered by a lower gaming margin from its major players and adverse weather in Q3. Operating profit<sup>2</sup> fell by 6.7% due to lower revenues.

Mecca’s revenue<sup>1</sup> fell 2.6% in the year driven by a 7.9% decline in customer visits. Operating profit<sup>2</sup> fell by 4.3%, a lower decline than expected by management as a result of improved cost control across both employment and marketing activities. Mecca’s new bingo concepts (Big Bingo Bash, Bonkers Bingo, student events, Newbie nights and other broader entertainment events) continued to be tested with good results. These concepts are helping drive visits as well as contributing incremental revenue and profit.

1. Before adjustments for customer incentives.

2. Before exceptional items, as per note 2 to the financial statements.

The Group's UK digital business grew with revenue<sup>1</sup> up 9.9%. Importantly, a successful 'Meccarena' marketing campaign and ongoing investments into the meccabingo.com offer drove revenue up 10.9%, following two years of low single-digit growth rates. Grosvenorcasinos.com grew revenue<sup>1</sup> 8.2% in the year, however the more stringent customer due diligence impacted H2 performance resulting in revenue<sup>1</sup> to decline in H2 following strong growth in H1. Insufficient marketing investment and a temporary system issue, which resulted in some of our more valuable multi-channel customers not being contacted, exacerbated grosvenorcasinos.com's H2 weak performance. Operating profit<sup>2</sup> fell by £1.8m in the year to £20.9m following the introduction of remote gaming duty ('RGD') on customer bonuses. This resulted in £2.5m of incremental RGD in the year.

Our Spanish operations, Enracha, delivered a strong performance with euro revenue<sup>1</sup> up 11.0% and euro operating profit<sup>2</sup> up 2.8%.

#### ACQUISITION OF YOBINGO

In May 2018, Rank completed the acquisition of QSB Gaming Limited, the owner of YoBingo.es, a leading Spanish digital bingo business, for an initial consideration of €23.1m and, subject to future performance, up to a maximum consideration of €52.0m.

The acquisition of YoBingo.es provides Rank with a secure and strong digital bingo presence in Spain, a high-growth and regulated digital gaming market.

YoBingo is performing ahead of expectations but due to the timing of the acquisition has not materially benefited Group revenues in 2017/18.

For further detail on the acquisition please refer to note 32 to the financial statements.

#### RESPONSIBLE GAMBLING

Rank remains committed to promoting responsible gambling to those customers who enjoy gambling as a recreational activity and reducing its use for those who are vulnerable or otherwise at risk of experiencing harm. During the year, we continued to develop our approach to reducing the social impact of problem gambling and have made the following progress in the last 12 months:

- additional colleague training around enhanced customer due diligence;
- creation of dedicated customer verification teams for both retail and digital;
- improved customer interaction record keeping following the introduction of the enhanced Neon system in our casinos;
- developed a data driven alerts system to help identify problem gamblers at an earlier stage in their game play;
- creation of complex models based on problem 'markers' in our digital business to help drive customer interventions;
- continued the trial of a customer risk identification initiative alongside members of the National Casino Forum; and
- increased social responsibility messaging in our bingo venues alongside the introduction of machine gaming safeguards.

## MANAGEMENT TEAM CHANGES

### RETAIL STRUCTURE

During the year, the Group created a single leadership team across its UK retail businesses with the promotion of Alan Morgan to retail managing director, covering both Mecca and Grosvenor Casinos. The retail team was further strengthened by the appointment of Olly Raeburn, chief marketing officer, and Debbie Husband, operations director for Grosvenor Casinos.

Given that a single customer view is the cornerstone of a successful multi-channel brand, Olly has also assumed responsibility for marketing across both the Group's retail and digital channels.

**"During the year, the Group created a single leadership team across its UK retail businesses with the promotion of Alan Morgan to retail managing director."**

### *Chief transformation officer*

I am pleased to announce that Jim Marsh will join the Group on 1 October 2018 to take up his position as chief transformation officer. Jim has led and delivered transformations in a variety of sectors and will join the Rank Executive Committee. He joins us from McKinsey & Company where he was a partner in their transformation team.

### *Chief information officer*

I am also pleased to announce the recent appointment of Jonathan Greensted as chief information officer. Jonathan was most recently chief information officer at Travelodge where he led a successful IT transformation project. Phil Moyes will leave the business following a comprehensive handover.

## BOARD CHANGES

### *Chief executive*

In March 2018, we announced that Henry Birch would step down as chief executive, having advised the Board of his decision to leave the business.

The Board would like to thank Henry for his contribution to the Group over his four-year tenure and wishes him every success in his future ventures.

John O'Reilly was appointed following a rigorous selection process to ensure we appointed a chief executive with the right skills and expertise to meet the ambition of the Group. John assumed the role of chief executive on 7 May 2018, with Henry leaving the business at the same time.

John brings a wealth of gambling industry experience, particularly in digital, and I am delighted that he is joining the Board as its chief executive. His impressive reputation and track record for delivering growth means he is well-equipped to drive our performance going forward.

### *Clive Jennings*

Rank's finance director, Clive Jennings, will leave the business on 17 August to pursue other opportunities. Clive leaves with the Board's appreciation and thanks for the significant role he has played in the development of the Company over his 18-year tenure. A search for Clive's successor is underway.

The Group's head of reporting, James Pizey, will step up as interim chief financial officer until Clive's successor has been appointed.

### *Alan Morgan*

I am also delighted that Alan joined the Board as an executive director on 7 May 2018. Alan has an in-depth understanding of our venues business and I am confident he will contribute significantly to the future development of Rank.

### *Richard Kilmorey*

The Rt. Hon. The Earl of Kilmorey, PC, currently chair of the responsible gambling committee, has notified the Board of his intention not to seek re-election at the 2018 annual general meeting and will therefore step down later this year having completed over six years on the Board.

I would like to thank Lord Kilmorey for his valuable contribution as a director during his six-year tenure on the Board and his chairmanship of the responsible gambling committee.

#### REGULATION AND TAXATION

In the recent Government review of machine allocations in UK casinos the Government stated that machine allocations were low by international standards. The Government also stated that if additional measures are put in place to manage the risk of gambling-related harm effectively, they would look again at casino machine limits. Rank has been working within the National Casino Forum to enhance player protection measures across the casino industry.

The Department for Culture, Media and Sport (DCMS) has indicated that an increase in Remote Gaming Duty (RGD) will be required to compensate for the predicted loss in machine duty following the introduction of the £2 maximum stake for fixed odd betting terminals (FOBTs). The earliest implementation of any increase to RGD is expected to be April 2019.

#### DIVIDEND

The Board is pleased to recommend a final dividend of 5.3 pence per share to be paid on 30 October 2018 to shareholders on the register at 21 September 2018. This will take the full-year dividend to 7.45 pence per share, up 2.1% on the previous year. The Group's dividend has thus reduced to 2.0 times cover from 2.2 times in the prior year.

**"I would like to take this opportunity, on behalf of the Board, to thank Rank's 9,744 employees for their continued passion and dedication in exciting and entertaining our customers"**

#### CURRENT TRADING AND OUTLOOK

Trading in the short six-week period to 12 August 2018 has been challenging following the unseasonal hot weather which has adversely impacted our UK retail businesses.

The Board has full confidence in the strategic direction of the Group and the new leadership team is focused on operational improvements to drive sustainable profit growth. A company-wide transformation programme is currently in development to identify, validate and prioritise the key initiatives to grow revenue and extract cost savings. The programme is expected to be self-funding in this financial year.

Further detail on the programme can be found in John O'Reilly's Q&A section on page 18 to 20.

#### OUR PEOPLE

I would like to take the opportunity, on behalf of the Board, to thank Rank's 9,744 employees for their continued passion and dedication in exciting and entertaining our customers.

**IAN BURKE**  
Chairman  
*15 August 2018*

# VALUE CREATION

## THE PROCESS

### OUR INPUTS

#### ROBUST BALANCE SHEET

We have a strong balance sheet supported by strong cash generation.

#### INSPIRING PEOPLE

We employ over 9,000 talented and dedicated individuals who have a desire to create the best experience for our customers.

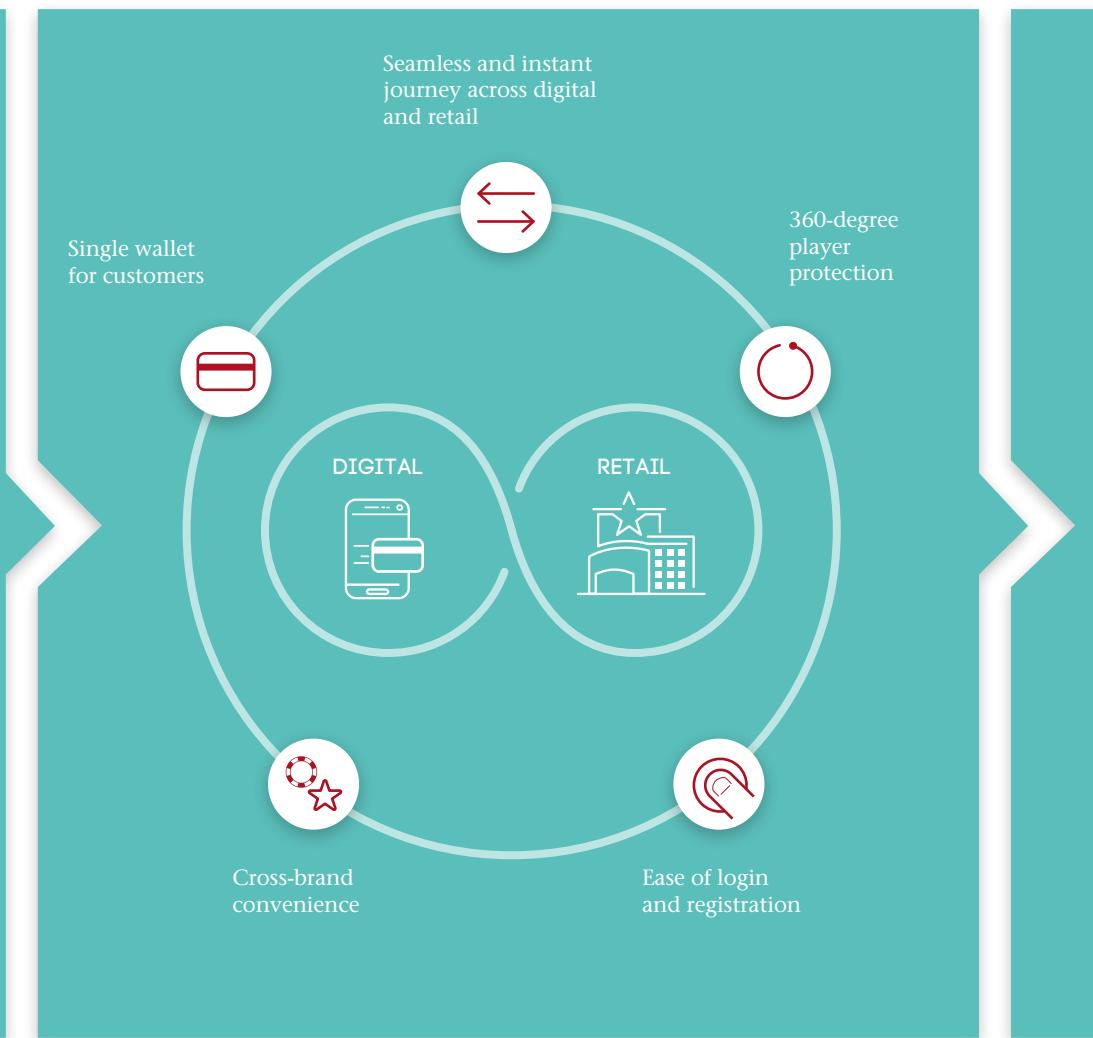
#### EXTRAORDINARY VENUES

We have a portfolio of 149 venues that facilitate our customers to ensure they are entertained.

#### STRONG RELATIONSHIPS

Our relationships with the communities we serve and with our suppliers form a vital part of our strategic plans to deliver a quality product and service to our customers.

### AIM TO BE NUMBER ONE MULTI-CHANNEL OPERATOR IN THE UK



#### MORE INFORMATION

Operating responsibly

PAGE 28

### Underpinning everything we do is our commitment to operating responsibly

We understand that our success as a business is dependent upon society's view of our role in the communities we serve. Rank is very much aware that, whilst the principal purpose of our businesses is to provide an exciting and entertaining experience for our customers, there is also a need to protect those few customers who may be most at risk of gambling-related harm.

## INVESTING IN KEY AREAS OF OUR BUSINESS

### 1. CREATING A COMPELLING MULTI-CHANNEL OFFER

Rank is one of the few gaming companies which provides a multi-channel offer. Our key assets include a 149-venue portfolio, membership-based models, loyalty and reward programmes, and strong customer engagement.

### 2. BUILDING DIGITAL CAPABILITY AND SCALE

Rank has built strong positions in venue-based gaming which we will replicate across our digital channels. We will make investments to enhance our digital capabilities, thereby capitalising on existing growth opportunities within the digital gambling market.

### 3. DEVELOPING OUR VENUES

Rank's casino and bingo venues continue to generate the majority of the Group's revenue and profits. We will enhance the customer experience by constantly creating new concepts and investing in our venues.

### 4. INVESTING IN OUR BRANDS AND MARKETING

Rank possesses a number of well-known and resonant brands which enjoy strong levels of customer affinity. The continued development of these brands is critical for increasing our revenues.

### 5. USING TECHNOLOGY TO DRIVE EFFICIENCY AND IMPROVE CUSTOMER EXPERIENCE

Numerous opportunities exist to harness technological developments. Implementing technological improvements will offer our customers more engaging experiences and enhance our competitive advantage.

## CREATING VALUE FOR OUR STAKEHOLDERS

### OUR CUSTOMERS

We create value for our customers by providing them with market-leading entertainment, meeting their expectations through our multi-channel offer.

### OUR SHAREHOLDERS

Through focused investments to meet our customers' needs, we generate suitable returns for our shareholders.

### OUR EMPLOYEES

We provide our talented and dedicated individuals with rewarding and fulfilling careers, ensuring that their behaviour is aligned with our company values.

### OUR COMMUNITIES

We provide additional value to the communities we serve through our 'operating responsibly' programmes.

### GOVERNMENTS

The value we create goes back into the economies where we operate.

**£77.0M**

Operating profit before exceptional items

**9,744**

Employees

**£0.4M**

Charitable funds raised

**£228.3M**

Generated for tax authorities and local governments

## Our STARS values ensure that we behave in the best possible way



SERVICE



AMBITION



TEAMWORK



RESPONSIBILITY



SOLUTIONS

The Group's STARS values reflect the behaviours vital for our employees to successfully deliver against Rank's strategic goals.

# IN THE SPOTLIGHT

## Q&A

**“Rank is undervalued and there is a real opportunity to develop and grow this business.”**

**JOHN O'REILLY**  
Chief Executive Officer



### Q1

#### WHAT ATTRACTED YOU TO RANK?

With over 25 years of experience in the betting and gaming industry, both in the UK and internationally, I am often referred to as an ‘industry veteran’ or ‘stalwart’. In truth I love the gambling sector, always have and always will, and it is a privilege and a pleasure to be involved in determining its future direction at the helm of one of the industry’s major businesses.

**“It is a privilege and a pleasure to be involved in determining the future direction at the helm of one of the industry’s major businesses.”**

been one that I wanted if the chance arose. In recent years, as an outsider looking in, I have viewed the Rank business as being undervalued with a real opportunity for development and growth.

### Q2

#### YOU HAVE NOW BEEN IN THE BUSINESS FOR FOUR MONTHS, WHAT HAVE BEEN YOUR FIRST IMPRESSIONS?

Since joining I have been made to feel very welcome and I have met a lot of committed and hardworking colleagues who are focused on making this business more successful.

Over the last four months I have visited many of our venues, our digital operations in Gibraltar, the Enracha business in Spain, the customer solutions hub in Sheffield, and spent a great deal of time with all our leadership teams.

Based on what I have seen and experienced, we need to be better across four key areas by: 1) increasing our focus on the customer; 2) growing our digital business; 3) driving cost efficiencies; and 4) improving our organisational capabilities.

More recently I have identified the detail behind these four areas which will form our key priorities over the coming year.

### **1. INCREASING OUR FOCUS ON THE CUSTOMER**

- Continue to support the recently rolled out 'Project Experience', a standards-setting and training programme focused on delivering the optimal customer experience in our Mecca and Grosvenor venues;
- continue with the good work already started on customer segmentation at a venue level within the Grosvenor estate to provide the right experience to the right customer, moving away from a 'one size fits all' approach;
- increase the focus on offering a wider portfolio of entertainment within our Mecca venues to attract new customers and diversify our customer base;
- significantly increase data-driven customer insights within the business and use our data to ensure a stronger performance orientation;
- be forensic in evaluating capital investments in our venues and in our product offering; and
- it is essential that we create a sustainable business and all initiatives will be viewed through a sustainability lens to ensure we are growing a business founded on responsible gambling.

### **2. GROWING OUR DIGITAL BUSINESS**

- Continue the work around optimising user journeys on our digital sites to make sure they are frictionless for customers;
- our delayed omni-channel service, Grosvenor One, will be delivered across the estate within the second half of the year. This is critical to growing both our Grosvenor venues and digital business;

- having delivered Grosvenor One we will be reviewing the minimum viable omni-channel service for Mecca customers;
- cost savings delivered within the transformation programme will be reinvested in marketing within the digital business to increase customer acquisition and loyalty; and
- the acquisition of YoBingo provides an opportunity to significantly drive growth within the Spanish market under both the Enracha and YoBingo brands.

**"Since joining I have been made to feel very welcome and I have met a lot of committed and hardworking colleagues."**

### **3. DRIVING COST EFFICIENCIES**

- Our central costs are too high for a business of our size. We will be reviewing central costs to ensure appropriate sizing and control going forward; and
- the transformation programme will have a key focus on cost efficiencies across the Group.

### **4. IMPROVING OUR ORGANISATIONAL CAPABILITIES**

- Central to the transformation programme is the objective of creating a better quality, more effective organisation; and
- the programme will create opportunities for our best people to develop and grow and improve the attractiveness of Rank as an employer of choice.



## **DO YOU SEE A NEED TO CHANGE RANK'S STRATEGY?**

Rank's strategy as defined by the five pillars is right for our business and I agree with the Group's ambition. That said, with the backdrop of a disappointing performance in 2017/18, we must move quickly to realise the significant underlying potential which I have now seen first-hand since joining the Group in early May.

The logo consists of a teal circle containing a white stylized letter 'Q' followed by the number '4'.

## HOW WILL YOU ENSURE RANK REALISES THIS UNDERLYING POTENTIAL?

As highlighted earlier, we need to improve our organisational capabilities to deliver our strategy and we will do this through the establishment of a transformation programme. We have to become more efficient, but we also need to grow revenue so the transformation programme will be a mix of cost savings and revenue generation initiatives.

It is a rigorous process involving multiple approvals for initiatives with overall review by the Rank executive team.

Ideas to grow revenues and/or reduce costs are identified, validated, planned, prioritised, executed and realised with tight management and measurement at every phase.

The start point is in determining the workstreams, responsibilities and initiatives and validating the P&L benefits and timetable for delivery. This programme of work has just begun and will run over the next three months.

The transformation programme will then follow a strict weekly cadence, enforced by a transformation office which will support the programme and make sure the initiatives stay on track. To help run the programme we have recruited a Chief Transformation Officer, Jim Marsh, from McKinsey & Company. Jim will join the business on 1 October 2018.

The programme will be a challenge to all of us at Rank and as yet we don't know what the initiatives will be, but our employees are best placed to determine what we should be doing to grow revenues or where we can save money. It may be in scheduling, multi-skilling, new products, procurement, central systems, digital customer acquisition, customer bonus controls, promotional effectiveness, improvements in customer due diligence processes, or estate management.

The programme will be centrally run to ensure it is co-ordinated, properly measured and changes the way we operate going forward by enhancing the performance culture of this business, creating opportunities for personal growth and enabling ambition to be rewarded.

The transformation programme has only just kicked off. All senior employees will be involved as it progresses and it will shape what we do and, just as importantly, what we don't do over the year ahead.

The logo consists of a teal circle containing a white stylized letter 'Q' followed by the number '5'.

## WHERE DO YOU SEE RANK IN FOUR YEARS' TIME?

Our aim is to deliver a responsible, growing and successful business which is responsive to changing consumer needs and therefore relevant to today's customer. We want to be an employer of choice to attract and retain the very best talent to ensure we have the organisational capability to drive increased loyalty from our customers and to create enhanced value from our shareholders.

There is a lot to do over the coming months to get Rank fit for the future – but this is an exciting journey and one which the Rank team is now gearing up to take.

## MARKET REVIEW

# UNDERSTANDING OUR EXTERNAL ENVIRONMENT

UK ECONOMIC ENVIRONMENT	REGULATION	CUSTOMERS	TECHNOLOGY	SUSTAINABILITY
<ul style="list-style-type: none"> <li>Higher inflation has squeezed real household incomes and this has inhibited consumer-led growth</li> <li>Brexit-related uncertainty is impacting economic growth</li> <li>Forecasters are pointing to moderate growth in both UK GDP and consumer spending</li> </ul>	<ul style="list-style-type: none"> <li>Rank operates in highly regulated markets (UK, Belgium and Spain), where focus is increasing on operating responsibly</li> <li>The UK Gambling Commission ('UKGC') continues to increase its focus on ensuring operators are satisfying the three licensing objectives</li> <li>A total of £13.9m of penalties have been issued by the UKGC in the year on operators who have failed to meet one or more of the licensing objectives</li> </ul>	<ul style="list-style-type: none"> <li>Customers' increasing demand for better and more engaging leisure experiences</li> <li>Customers are moving away from the traditional 'out of the home' leisure experiences to 'in home'</li> <li>Customers' increasing demand for more event-led leisure experiences</li> </ul>	<ul style="list-style-type: none"> <li>Industry innovation slower than other sectors, resulting in customer expectations not being met</li> <li>Product innovation inhibited by the licensing regime</li> <li>Mismatched product innovation drivers between suppliers and operators</li> </ul>	<ul style="list-style-type: none"> <li>Hard to attract high-calibre people to work in the gambling industry due to negative public perception and intense media attention</li> <li>Potential restrictions on employees to work in the UK following Brexit may restrict an already limited labour base</li> <li>Restricted labour base hinders Rank's efforts to recruit the best people to offer the best customer experience</li> </ul>
OUR RESPONSE	OUR RESPONSE	OUR RESPONSE	OUR RESPONSE	OUR RESPONSE
<ul style="list-style-type: none"> <li>Focus on delivering a relevant and engaging leisure experience to our customers</li> <li>Continued focus on good cost discipline to manage increasing operating costs</li> <li>Ensure the Group is operating effectively and efficiently through a transformation programme</li> </ul>	<ul style="list-style-type: none"> <li>Continued prioritisation of Rank's responsible gambling strategy within the business</li> <li>Open and honest dialogue with the regulators</li> <li>Develop regulators' confidence in the business to allow greater operating freedoms</li> </ul>	<ul style="list-style-type: none"> <li>Focused approach on delivering the best retail customer experience</li> <li>Improved multi-channel offer to satisfy customer migration to digital</li> <li>Further roll-out of new bingo events to engage with a different type of customer</li> </ul>	<ul style="list-style-type: none"> <li>Continue our dialogue with the UK regulators around new gaming concepts and product innovation</li> <li>Closer working relationships with our product suppliers to better address customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Focus on improving reward and recognition for colleagues across all levels to improve retention and attraction of talent</li> <li>Investment in a comprehensive development and educational plan for colleagues to ensure talent is developed and retained</li> </ul>

# UNDERSTANDING OUR INDUSTRY

Rank operates 149 licensed venues through its Grosvenor Casinos, Mecca, Luda and Enracha brands.

Our retail estate has presence across the UK, Spain and Belgium.

## MACHINE ALLOCATIONS (2005 ACT)

### 'SMALL'

Maximum of 80 machines based on a maximum 2:1 machine-to-table ratio.

### 'LARGE'

Maximum of 150 machines based on a maximum 5:1 machine-to-table ratio

## MACHINE ALLOCATIONS (1968 ACT)

Seventy-six of Grosvenor's licences are issued under the Gaming Act 1968 (1968 Act). Grosvenor has just one casino, which operates under a Gambling Act 2005 (2005 Act) casino licence, in Luton.

1968 Act licences allow a maximum of 20 machines which can be any machine category B to D (except B3A machines), or any number of category C or D machines.

Machines can be any combination of B to D machines.



## RETAIL CASINOS

The wider casino market has been in decline in the last three years. However, new concepts like the Hippodrome Casino, with its broader leisure-based offer which includes a strong entertainment and F&B offer, and Aspers Stratford, offering over 150 slot machines, have delivered growth.

During the year, Grosvenor Casinos has underperformed compared to the rest of the market but has ended the year with improving trends for both London and the provinces.

Grosvenor's share of the UK retail casino market is approximately 37%<sup>1</sup>.

As at 30 June 2018, Grosvenor operated 52 casinos across Great Britain. In addition to operating licences, Grosvenor holds ten non-operating licences. As of 30 June 2018, there are a total of 198<sup>2</sup> licences issued to operators.

## ACROSS OUR GROSVENOR VENUES WE HAVE:

**1,301**

B1 MACHINES

**NIL**

B2 MACHINES

**97**

B3/C/D MACHINES

For a 2005 Act casino, of which we have one in Luton, the number of machines varies depending on whether it is a 'large' or 'small' casino.

1. Based on customer visits as at May 2018, National Casino Forum.

2. UK Gambling Commission.

## GROSS GAMING YIELD<sup>1</sup> - GREAT BRITAIN (£M)

	YEAR ENDED 30 <sup>TH</sup> SEPTEMBER 2017	YEAR ENDED 30 <sup>TH</sup> SEPTEMBER 2016	MOVEMENT
Arcades (retail)	423	413	+2%
Betting (retail)	3,289	3,406	-4%
Bingo (retail)	681	682	0%
Casinos (retail)	1,158	1,190	-3%
Betting, bingo and casino (digital)	4,890	4,461	+10%
National lottery (retail and digital)	3,015	3,265	-8%
Large society lotteries (retail and digital)	431	404	+7%

## RETAIL BINGO

The overall bingo market declined in the financial year, reflecting the reduction in core bingo customers and customer visit frequency. However, Mecca continued to perform well compared to the rest of the market, outperforming its national competitors.

Mecca's share of the UK retail bingo market is approximately 37%<sup>2</sup>.

As at 30 June 2018, Mecca operated 85 out of the 348 bingo venues currently operating across Great Britain.

The Group's Luda venues also operate bingo licences and currently there are three venues operating (Walsall, Leeds and Weston).

### Machine allocations

A licensed bingo venue can offer B3, B4 and category C and D machines.

The number of B3 or B4 machines is restricted to 20% of the total number of gaming machines provided in the venue. The number of category C and D machines can be unlimited.

## DIGITAL

Rank's digital business is operated through both Alderney and UK remote gambling licences. Enracha and YoBingo's digital operations operate through Spanish remote gambling licences.

The UK remote gaming sector continues to grow, with £4.9bn of Gross Gaming Yield (GGY) reported by the UK Gambling Commission for the 12 months to September 2017. Rank's share of the UK remote gaming sector is estimated to be approximately 2.5%<sup>1</sup>.

ACROSS MECCA AND LUDA WE HAVE:

**2,164**

B3/B4 MACHINES

**2,962**

C/D MACHINES

**13,366**

ELECTRONIC BINGO  
TERMINALS (MECCA MAX UNITS)



1. UK Gambling Commission.

2. Based on National Game ticket sales.

## OUR STRATEGY AND KPIs

# OUR STRATEGY AND KPIs

Rank's aim is to be the uk's leading multi-channel operator.



## 1. CREATING A COMPELLING MULTI-CHANNEL OFFER

In the markets where we operate, Rank is one of the few gaming companies in a position to provide customers a genuine multi-channel gaming offer. We have a number of key assets, including a portfolio of 149 venues, our membership-based models, our loyalty and reward programmes and the high levels of engagement that our team members enjoy with customers.

### 2017/18 PROGRESS:

- Trial of Grosvenor's single account and wallet, Grosvenor One, in Grosvenor's Stockport casino;
- Dual play launched, the live streaming of electronic roulette and baccarat at the Victoria casino to the Group's digital channels;
- Roll-out of a new affiliate programme rewarding Grosvenor employees for converting retail customers to digital play; and
- Mobile ordering of F&B in Mecca successfully trialled in seven additional venues; further roll-out currently under review.

### 2018/19 CURRENT PLANS:

- Grosvenor One to be rolled out across Grosvenor's casinos with a full marketing programme to be launched in H2; and
- Continue development of an omni-channel service for Mecca customers.

### RELEVANT RISKS

- Laws and regulations
- Taxation
- Changing consumer needs
- Strategic projects
- Customer data management
- Third-party supply chain

### TOTAL NUMBER OF MULTI-CHANNEL CUSTOMERS<sup>1</sup> ('000)

2018	144.7
2017	140.8
2016	148.0
2015	131.6
2014	99.6

1. Unaudited.



## 2. BUILDING DIGITAL CAPABILITY AND SCALE

Rank has built strong positions in venue-based gaming which we seek to replicate across our digital channels (online and mobile). In 2017/18, our digital operations generated 17% of Group revenue whereas digital channels now represent around 35% of Great Britain's gambling market (excluding National Lottery), presenting a significant growth opportunity. We continue to enhance our capability in this area such that we can leverage our active retail customer base and meet their changing needs.

### 2017/18 PROGRESS:

- Acquisition of YoBingo to increase Rank's digital presence in a high-growth and regulated Spanish digital market;
- Enracha.es soft launched;
- New Live Casino app successfully launched in August 2017 and performing well;
- New Grosvenor and Mecca android apps launched with positive results;
- Relaunch of Bellacasino.com on the new content management system; and
- Launch new customer relationship management system, Adobe Campaign.

### 2018/19 CURRENT PLANS:

- Support the ongoing growth of YoBingo;
- Launch new content management system for grosvenorcasinos.com;
- Deliver a suite of improvements to our promotion and bonus tools;
- Appointment of new digital games suppliers to provide our customers with bespoke and exclusive games; and
- Increase customer acquisition marketing investment underpinned by strong return on investment analytics.

### RELEVANT RISKS

- Laws and regulations
- Taxation
- Changing consumer needs
- Strategic projects
- Customer data management
- Third-party supply chain
- Cyber security and resilience

### DIGITAL CUSTOMERS<sup>1</sup> ('000)

2018	428
2017	400
2016	404
2015	381
2014	279



### 3. DEVELOPING OUR VENUES

Our casino and bingo venues remain a material part of Rank's business, providing entertainment for millions of customers each year and generating the majority of the Group's revenue and profits. By continuing to invest in our venues (in terms of product, environment and service) and by creating new concepts, we are constantly evolving and enhancing the experiences that we offer to customers.

#### 2017/18 PROGRESS:

- Opened three experimental Luda venues. Ongoing reviews of each venue is underway to address underperformance with a focus on their local market;
- Utilisation of three unused casino licences (Glasgow and London);
- Completion of refurbishments at The Rialto (formerly The Piccadilly) and The Golden Horseshoe casinos in London and the Soames casino in Manchester;
- Refurbishment of the VIP area at the Barracuda casino completed;
- Enhancement of The St Giles casino commenced with the installation of new high-impact signage and experiential gaming product;
- External refurbishment of Mecca Beeston completed and new F&B offer launched;
- Roll-out of 470 new digital gaming machines in Mecca's venues incorporating server-based gaming and Ticket-In-Ticket-Out functionality;
- Roll-out of new bingo concepts to additional bingo venues, with a total of 63 events held during the year;
- £2.2m of property savings realised in the year following negotiations with landlords;
- Condensed Mecca F&B menu rolled out across the estate with three different menu types (premium, core and reduced); and
- Renewal of Belgium casino concession for another 15 years.

#### 2018/19 CURRENT PLANS:

- Completion of second phase refurbishment at Grosvenor's Barracuda casino in London; and
- Continuation of negotiations with venue landlords to re-gear and extend leases whilst reducing property costs.

#### RELEVANT RISKS

- Laws and regulations
- Taxation
- Changing consumer needs
- Third-party supply chain

#### VENUES CUSTOMER VISITS ('000)

2018	18,708
2017	20,244
2016	21,729
2015	22,112
2014	22,691

#### VENUES CAPITAL INVESTMENT (£M)

2018	15.2
2017	27.6
2016	37.3
2015	24.7
2014	22.4

**OUR STRATEGY AND KPI'S** CONTINUED**4. INVESTING IN OUR BRANDS AND MARKETING**

The development of a group of well-defined, relevant and resonant brands is critical for the success of our ambition. Rank possesses a number of well-known brands with strong levels of affinity amongst customers. Continuing to invest and develop these brands, alongside new ones, is an important part of increasing and sustaining revenues.

**2017/18 PROGRESS:**

- Launch of a new fully integrated 'Meccarena' marketing campaign, including TV advertising;
- New customer relationship management (CRM) system launched;
- Olly Raeburn appointed as chief marketing officer;
- Improvements made to the Luda proposition driven by their individual local markets;
- Development and implementation of more impactful external displays at two London casinos (The Rialto and St Giles);
- Segmentation of retail estate to improve marketing effectiveness with tailored promotions;
- Increased focus on customer communications to drive our venue customers to their complementary digital offer; and
- Clear new customer propositions created for each London casino with bespoke marketing plans.

**2018/19 CURRENT PLANS:**

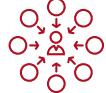
- Increase marketing investment in digital across both meccabingo.com and grosvenorcasinos.com;
- Comprehensive roll-out of Grosvenor One to Grosvenor's casino customers to drive omni-channel service;
- Completion of an integrated CRM and loyalty strategy including the launch of interactive reward pods in Grosvenor's casinos;
- Roll-out of new customer propositions for Grosvenor's London casinos;
- Continue the roll-out of Project Experience to drive improved customer journeys in both our bingo and casino venues;
- Roll-out of new VIP strategy following the recent appointment of the new VIP casino team; and
- New local marketing platform to be rolled out in H1 2018/19 providing clubs with better support and consistency over local promotional activity.

**RELEVANT RISKS:**

- Laws and regulations
- Changing consumer needs
- Strategic projects
- Customer data management
- Third-party supply chain

**MARKETING SPEND (£M)**

<b>2018</b>	<b>82.4</b>
2017	80.3
2016	83.8
2015	75.5
2014	63.3



## 5. USING TECHNOLOGY TO DRIVE EFFICIENCY AND IMPROVE CUSTOMER EXPERIENCE

The customer is at the heart of our focus on increasing the use of technology in our business and driving efficiency. Improved customer experience and operating margins can help create a competitive advantage. We have identified a number of opportunities to harness technological developments to offer our customers more engaging experiences and to achieve sustainable growth in operating margins.

### 2017/18 PROGRESS:

- Four electronic roulette pricing experiments were carried out across eight casinos with the aim of improving efficiency and suitability of the offer;
- A review of rostering software was carried out and concluded that an upgrade of our current system was appropriate;
- Roll-out of additional side bets on electronic roulette;
- Dual play, the live streaming of electronic roulette and baccarat at the Victoria casino to the Group's digital channels;
- Broadcast blackjack and baccarat piloted in four casinos to improve customer experience;
- New bingo side bet launch on Mecca Max in Mecca's venues; and
- New product installed in the St Giles casino which includes the creation of a new slots area to accommodate tournament style gaming and the installation of more experiential roulette wheels.

### 2018/19 CURRENT PLANS:

- Comprehensive roll-out of Grosvenor One to Grosvenor's casino customer to drive omni-channel service;
- Continue development of an omni-channel service for Mecca customers;
- Refurbishment of 3,500 Mecca Max units;
- £4.0m investment into new casino gaming machines;
- Introduction of Ticket-In-Ticket-Out ('TiTo') for table gaming;
- Self-service TiTo cash terminals to be installed across casinos to allow customers to buy in and cash out their TiTo tickets; and
- Contactless payment at the casino's cash desk.

### RELEVANT RISKS

- Changing consumer need
- Strategic projects
- Customer data management
- Third-party supply chain

## OPERATING MARGINS (%)

2018	10.4
2017	11.1
2016	10.9
2015	11.4
2014	10.2

# COMMITTED TO FUN

**Our purpose is to bring excitement and entertainment to the customers and communities we serve.**

**We understand our responsibility to all in our communities. We aim to act with the highest integrity and honesty in everything we do.**



MORE INFORMATION

Responsible gambling committee

PAGE 73

## RESPONSIBLE GAMBLING 2017/18 IN REVIEW

The last year has seen an increased focus by the Government, the Gambling Commission and wider stakeholders on building collective understanding of the harm that can arise from gambling, and the efforts to identify and interact appropriately with customers showing signs of problem gambling.

Whilst the prevalence of problem gambling appears broadly stable, Rank does not view this as a success story. Our focus as a responsible operator must be to continue to innovate, learn and become ever more sophisticated in our approach to reducing the social impact of problem gambling. Furthermore, we acknowledge the growing calls for the industry to direct its efforts not only to supporting problem gamblers, but also to the better early detection of risk and concerning behaviour amongst customers.

During the year, the Department for Digital, Culture, Media and Sport ('DCMS') completed its review of gaming machines and social responsibility. As an expansion of previous triennial reviews of machine stakes and prizes, this review for the first time included in its scope consideration of existing social responsibility safeguards against the growing evidence and understanding of problem gambling risk. The review concluded with a clear call to action to the industry to continue to invest and enhance its response to problem gambling. Rank broadly welcomes the findings of the DCMS review and the package of measures put forward for both our retail and digital businesses. We remain committed to demonstrating that our industry can grow in a socially responsible manner.

Whilst detecting a risk of harm in the first instance is a complex matter, Rank is making use of available data to create alert systems which will ensure that we are increasingly identifying customers at an earlier stage, giving us a greater chance to interact with them and, where possible, help avoid any issues in the first instance.

In our digital business, we benefit from extensive and detailed transactional data and our investment in data science techniques and dedicated resource has allowed us to build models based on a wide range of known problem gambling 'markers'. In the past year we have further refined our models, using insights from wider industry research, as well as taking the time to critically review and evaluate our approach internally. Customers identified by our models are exposed to a range of interventions, each of which are in turn being evaluated and assessed to confirm their effectiveness, or to otherwise inform their further development.

Equivalent initiatives can be seen in our retail business, where we are progressing a trial of customer risk identification in partnership with Focal Research, a specialist organisation based in Canada, and alongside other members of the National Casino Forum. We are also committed to seeing through our previous promises of introducing additional safeguards on our gambling machines.

In the latter part of this year Mecca, along with other Bingo Association members, will begin trialling enhanced social responsibility messaging in a number of clubs and is also considering how it may add further safeguards, in particular to gaming machines.



## RESPONSIBLE GAMBLING IN THE YEAR AHEAD

2018/19 will see several initiatives implemented designed to:

- increase the number of customers, VIP and non-VIP, with whom we are engaging in safer gambling conversations about their play;
- continue to build the accuracy of our early detection systems, including identifying more opportunities for real-time risk identification;
- start to understand how we might assess affordability at an earlier stage in customer relationships;
- build on the existing range of ‘tools’ available to our customers to help them manage their play, including limits and reality checks on machines in our casinos; and
- evaluate and assess the impact and effectiveness of our responsible gambling policies and procedures, to inform future development and investment.

## CROSS-INDUSTRY WORKING

Rank has always believed in the value of working closely with sector partners and particularly within our respective bingo, casino and online trade association networks. However, we acknowledge Government calls for even wider industry collaboration and sharing of best practice. Further to this, in the coming year we will be seeking more ways to share insight on what we are doing at Rank and to learn from others.

We intend not only to expand our efforts to share best practice and increase our learning opportunities, but to identify projects on which we can collaborate with other operators to trial new techniques or approaches to managing problem gambling risk.

In April 2018, we welcomed the arrival of the GAMSTOP service – a multi-operator self-exclusion scheme for online gambling. Now, along with the SENSE scheme (for land-based casinos) and BISES (for land-based bingo) anyone experiencing a gambling problem or concerned that they may be at risk of problem gambling and who plays with our brands, online or offline, will be able to prevent their access on a national basis. For online gambling, in particular, we recognise that for too long problem gamblers have been vulnerable to the ease of creating new accounts with another online operator, having entered self-exclusions elsewhere. With similar ease, someone can now register with GAMSTOP and prevent their own access from all Gambling Commission-licensed operators, which will, we hope, come as a welcome intervention to those suffering the most.

## OUR EMPLOYEES

### 2017/18 PROGRESS

- Continued to embed the Group-wide values, STARS, into everything we do;
- established the 'Be Talent' model to develop talented individuals within the Group; and
- published our first Gender Pay Gap report as part of the Group's diversity and inclusion agenda.

### 2018/19 CURRENT PLANS

- Continue to develop our Human Resources system to provide maximum value to the Group;
- continue to deliver the Group's diversity and inclusion strategy;
- develop management and leadership capability across the brands and in our support functions;
- review reward packages to ensure they reflect the requirements of our increasingly diverse workforce; and
- closely consider the implications of Brexit across the Group for its workforce.

**74%**  
ENGAGEMENT

**90%**  
RESPONSE RATE



## ENGAGEMENT

Engagement at every level across our business is something we take very seriously. On the back of our bi-annual employee opinion survey, 'Your View', departments create action plans to ensure that colleagues are not only aware of the results, but are actively engaged in next steps to address key challenges per team, department and at a wider organisational level.

Year-on-year employee engagement rose by three percentage points to 74%, with a 90% completion rate.

The survey asks colleagues to answer questions on different aspects of their working life at Rank. Scores and comments are reviewed by management and actions are agreed to address identified issues.

Areas identified where Rank scored particularly well related to:

- treating each other with fairness and respect;
- providing the best internal customer service to our colleagues;
- being happy to go the extra mile; and
- believing Rank takes responsible gambling seriously.

Areas identified for improvement related to:

- being more focused on listening to our teams' views and ideas;
- being better at providing regular and constructive feedback to teams on their performance by their line managers; and

- being better at keeping colleagues informed about what is happening via team meetings and briefings.

Alongside 'Your View', individuals are also invited to attend 'Talking STARS' meetings which occur at both brand and support office level. These meetings are facilitated by senior leaders in the business, such as the human resources director or the director of investor relations and communications.

Operating on a quarterly basis, these sessions encourage colleagues to talk about opportunities and ideas and how they can be implemented within the business.

The above forums operate alongside formal employee forums where feedback is gathered from managers and team members in both our venues and support offices. All these channels ensure collaboration to solve key issues permeates through the organisation to improve operational performance.

On a day-to-day basis, teams go to great lengths to ensure that colleagues are engaged in key projects. Examples are the 'Diversity in Gaming' events aligned to the Group's diversity and inclusion agenda or the implementation of the 'Retail Activity Forum' to ensure projects are effectively landed in our venues. At the heart of these approaches is a desire to ensure active engagement in all that we do.

Supported by our various cascade processes, such as the 'huddles' approach in our venues, we have a clear commitment to ensuring that the business delivers the very best in customer service through informed and engaged team members.

## DIVERSITY AND INCLUSION

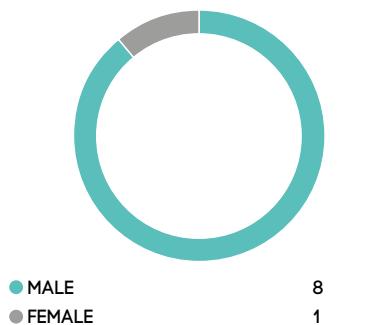
During the year, the Group made significant progress in driving forward its diversity and inclusion agenda. A full diversity and inclusion strategy was agreed by Rank's senior leadership team with the following actioned in the year:

- inaugural Women at Rank networking breakfast;
- unconscious bias training delivered to the Board and senior leadership teams with an agreed cascade to further colleagues in 2018/19;
- launch of a sponsorship programme for high-performing senior female colleagues; and
- commitment to Rank's signature of PwC's Hospitality, Travel and Leisure charter.

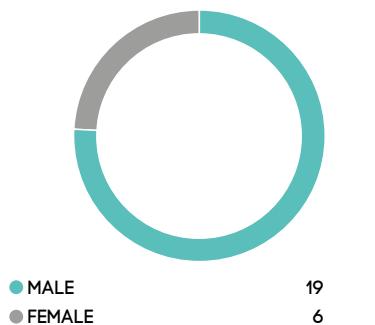
Over the coming months, further work will be carried out including a review of recruitment processes and existing policies to ensure Rank is attracting and retaining a diverse workforce. Focus during the year has been on gender diversity and how Rank can improve the gender balance; in 2018/19 Rank will look to extend its programme to include other minority groups.

During the year, Rank also published its first Gender Pay Gap report which can be found at [www.rank.com](http://www.rank.com).

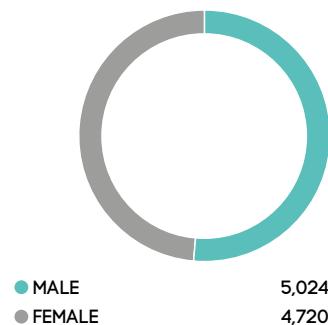
## BOARD



## SENIOR MANAGEMENT



## WHOLE COMPANY



1. Senior management is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013, and includes: i) persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than company directors, and ii) any other directors of undertakings included in the consolidated accounts.

## LEARNING AND DEVELOPMENT

Across our venues, the Group delivered development programmes for both Mecca and Grosvenor Casinos through the Group's four apprenticeship schemes.

In line with the increased focus on customer due diligence, the Group delivered advanced training on enhanced due diligence across all our venues.

A significant proportion of training is made available to colleagues through eLearning courses. Nearly 11,000 colleagues participated in some form of eLearning in the year with a total of 118,000 eLearning courses completed.

## DISABILITY

Rank is committed to ensuring that people with disabilities are supported and encouraged to apply for employment with the Group and to achieve progress within the business whilst employed. Disabled persons will be treated to ensure they have equal opportunities to be selected, trained and promoted.

## HUMAN RIGHTS

The board considers that it is not necessary for the Group to operate a specific human rights policy at present. Our policies already comply with relevant laws and respect the human rights of our employees and other stakeholders in the business.

**11,000**  
E-LEARNING COURSES  
**118,000**  
COURSES COMPLETED



## HEALTH AND SAFETY

The key objectives of the 2017/18 health and safety ('H&S') strategy were:

- (i) Continue to improve H&S awareness by training all general managers to understand and put in place club-specific risk assessments and ensure that 'safe systems of work' training has been provided to 95% of relevant employees by 30 June 2018;
- (ii) Put in place an online computerised H&S system in all 149 clubs by 30 June 2018; and
- (iii) By 30 June 2018, reduce the number of employee and customer accidents in the UK by a further 10% from their 30 June 2017 levels.

Again, positive progress has been made in this year's objectives, with a completion rate of 100% for H&S awareness training by general managers, enabling them to understand and put in place club-specific risk assessments from the new generic risk assessments and safe systems of work. The new online H&S system has been put in place across the 139 UK sites and Rank also exceeded its target of reducing accidents within the UK, having achieved an overall reduction of 15% across both Mecca and Grosvenor's venues in the year.

## OUR COMMUNITIES

### RANK CARES

During the year, Rank celebrated its fifth year with its charitable partner, Carers Trust. Rank employees continued with their fantastic efforts and raised a total of £0.4m in the year. We are delighted to say Rank has now raised over £2m since the start of the partnership and this has been down to the passion and commitment demonstrated by our colleagues.

Rank's fundraising efforts include a wide variety of activities from cake bakes to sponsored team challenges.

During the year, the Rank Cares programme has supported carers through a grant-giving programme which has resulted in 673 carers receiving support since the partnership started.

Employees also give up their own time to volunteer at local carers' services across the UK. A total of 516 volunteer hours were completed by Rank colleagues in the year.

### ABOUT CARERS TRUST

Carers Trust works to improve support, services and recognition for anyone living with the challenges of caring, unpaid, for a family member or friend who is ill, frail, disabled or has mental health or addiction problems.

Carers Trust does this with a UK-wide network of quality-assured independent partners and through the provision of grants to help carers get the extra help they need to live their own lives.

With these locally based network partners, Carers Trust can support carers in their homes through the provision of replacement care, and in the community with information, advice, emotional support, hands-on practical help and access to much-needed breaks.

Carers Trust offers specialist services for carers of people of all ages and conditions and a range of individually tailored support and group activities.

To find out more about the work Carers Trust does please visit its website at [carers.org](http://carers.org)

**£2.0M**

RAISED BY  
RANK CARES

**7,297**

CARERS RECEIVED  
SUPPORT

**2,516**

VOLUNTEER HOURS  
BY RANK EMPLOYEES



## GREENHOUSE GAS EMISSIONS

	Year ended 30 June 2018		Year ended 30 June 2017	
	TONNES OF CO <sub>2</sub> E <sup>1</sup>	%	TONNES OF CO <sub>2</sub> E/EM REVENUE	TONNES OF CO <sub>2</sub> E/EM REVENUE
Scope 1				
Comprises gas use (plus gasoil in Belgium), owned transport and fugitive F-gas emissions	<b>16,681</b>	<b>34</b>	17,616	28
Scope 2				
Comprises electricity generation	<b>21,798</b>	<b>44</b>	32,135	50
Scope 3 <sup>2</sup>				
Comprises waste, materials use, flights, electricity transmission and distribution	<b>11,077</b>	<b>22</b>	13,822	22
Outside of scopes <sup>3</sup>				
Represents the biogenic proportion of petrol and diesel	<b>28</b>	<b>-</b>	32	-
Total	<b>49,584</b>	<b>100</b>	<b>66.9</b>	63,605
			100	89.9

1. CO<sub>2</sub>E is a universal unit of measurement used to indicate the global warming of greenhouse gases expressed in terms of global warming potential of one unit of carbon dioxide.

2. Well-to-tank emissions for fuels (electricity, gas, petrol, diesel and aviation fuel), which would sit within scope 3, are not included in the report.

3. This is categorised as outside scopes rather than scope 3, in line with the Defra 2015 emission factor guidance.

# GROSVENOR CASINOS

## OPERATING REVIEW

**ALAN MORGAN**  
Retail Managing Director



2017/18 was a challenging year for Grosvenor's casinos, with like-for-like<sup>1</sup> revenue down 4.6%.

### KEY FINANCIAL PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Revenue <sup>2</sup> (£m)	<b>373.0</b>	397.2	(6.1)%
London	<b>123.7</b>	140.1	(11.7)%
Provinces	<b>238.7</b>	242.1	(1.4)%
Belgium	<b>10.6</b>	15.0	(29.3)%
EBITDA <sup>3</sup> (£m)	<b>70.6</b>	76.6	(7.8)%
Operating profit <sup>4</sup> (£m)	<b>48.6</b>	52.1	(6.7)%
London	<b>17.6</b>	24.6	(28.5)%
Provinces	<b>29.6</b>	25.9	14.3%
Belgium	<b>1.4</b>	1.6	(12.5)%
Like-for-like revenue <sup>1</sup>	<b>(4.6)%</b>		

1. Excludes venue openings, closures and relocations.

2. Before adjustments for customer incentives.

3. Before exceptional items.

4. Before exceptional items, as per note 2 to the financial statements.

Total Grosvenor revenue<sup>2</sup> fell 6.1% in the year principally impacted by more stringent customer due diligence following the UK Gambling Commission's published advice in September 2017, a lower win margin from our major players and periods of extreme weather in Q3.

Operating profit<sup>4</sup> fell by 6.7% in the year due to lower revenues. Delivering cost savings continued to be a priority in the year with a particular focus on labour costs, down 4.9%. Work continues into 2018/19 to improve labour efficiencies in both the casinos and wider support functions.

In line with the London casino segmentation work carried out in the period, targeted capital investments were made in the year. The Barracuda casino in London which targets a higher spending transactional customer completed the first phase of its refurbishment, with the VIP room redevelopment completed in June 2018. The second phase of the refurbishment is due to be completed in H1 2018/19.

Towards the end of the year, new experiential gaming product and impactful internal and external electronic signage was put into the St Giles casino in Tottenham Court Road, which targets a younger casino player.

In the provinces, the Soames casino in Manchester was refurbished and performance post its relaunch in February 2018 has been encouraging.

During the year, five underperforming casinos were impaired, resulting in a £9.8m exceptional cost at year end. In June 2018, the Grosvenor casino in Bradford was closed following a prolonged period of underperformance.

### KEY NON-FINANCIAL PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Customer visits ('000s) <sup>1</sup>	<b>7,004</b>	7,732	(9.4)%
London	<b>1,303</b>	1,398	(6.8)%
Provinces	<b>5,559</b>	6,087	(8.7)%
Belgium	<b>142</b>	247	(42.5)%
Spend per visit (£) <sup>1</sup>	<b>53.26</b>	51.37	3.7%
London	<b>94.93</b>	100.21	(5.3)%
Provinces	<b>42.94</b>	39.77	8.0%
Belgium	<b>74.65</b>	60.73	22.9%

1. Unaudited.

Customer visits fell by 9.4% in the year. Spend per visit increased in the year with Grosvenor's lower spending, more leisure-orientated customers visiting less often.

Refurbishments in the first half of the year at the Golden Horseshoe and the Rialto (formerly the Piccadilly) severely disrupted London visits in the period. If these clubs' visit performance was excluded London visits would have been broadly flat for the year. Provincial visits fell in the period following a reduction in the leisure customer base.

The wider casino market has been in decline in the last three years. However, new concepts like the Hippodrome Casino, with its broader leisure-based offer which includes a strong entertainment and F&B offer, and Aspers Stratford, offering over 150 slot machines, have delivered growth. This supports management's view that an increased focus on customer service and a wider leisure offer can provide growth opportunities for Grosvenor's casinos.

In September 2017, the casino concession at Middlekerke in Belgium expired following a decision by management not to renew. Therefore, from 1 September 2017, the Belgian operations consisted of only one casino in Blankenberge. With the Blankenberge concession due to end on 31 December 2020, the local council commenced the process to grant a new concession which was subsequently successfully secured by Grosvenor.

#### VENUES REVENUE ANALYSIS – GREAT BRITAIN ONLY

£M	2017/18	2016/17	CHANGE
Casino games	<b>229.7</b>	248.3	(7.5)%
Gaming machines	<b>90.8</b>	89.5	1.5%
Card room games	<b>14.7</b>	15.3	(3.9)%
Food and drink/other	<b>27.2</b>	29.1	(6.5)%
Total	<b>362.4</b>	382.2	(5.2)%

Gaming machines revenue was up 1.5% in the year despite total revenue declining. Investments previously made into new product and the reallocation of additional licences at Glasgow Merchant City, Glasgow Riverboat and Gloucester Road Casino drove this positive performance.

# MECCA

## OPERATING REVIEW

Mecca's like-for-like<sup>1</sup> revenue was down 2.4% in the year. Falling customer visits driven by the ongoing market trend were worsened by the wide spread adverse weather in Q3 and Q4.

### KEY FINANCIAL PERFORMANCE INDICATORS<sup>2</sup>

	2017/18	2016/17	CHANGE
Revenue <sup>3</sup> (£m)	<b>208.1</b>	213.6	(2.6)%
EBITDA <sup>4</sup> (£m)	<b>40.2</b>	41.8	(3.8)%
Operating profit <sup>5</sup> (£m)	<b>28.6</b>	29.9	(4.3)%
Like-for-like revenue <sup>1</sup>	<b>(2.4)%</b>		

1. Excludes venue closures.

2. Includes Luda.

3. Before adjustment for customer incentives.

4. Before exceptional items.

5. As per note 2 to the financial statements.

Total revenue<sup>2,3</sup> for the year fell by 2.6% with two clubs closed in the comparable period. Strong cost discipline led to a 1.9% fall in operating costs in the year despite increases in the National Living Wage; however the fall in revenue led to a 4.3% decline in operating profit<sup>2,5</sup>.

For both visits and revenue, though in decline, Mecca is outperforming other national operators.

### KEY NON-FINANCIAL PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Customer visits ('000s)	<b>9,698</b>	10,528	(7.9)%
Spend per visit (£)	<b>21.46</b>	20.29	5.8%

Customer visits fell by 7.9% in the period. Spend per visit increased by 5.8% due to growth in mainstage bingo.

In July 2018, Mecca closed its venue in Ashford reducing the total number of venues to 84.

Mecca hosted 63 new experimental bingo events aimed at attracting a new and younger customer base. There has been an increased focus on their cost with all, apart from Big Bingo Bash, now positively contributing to operating profit.

This year also saw the first tie-up with P&O Mini Cruises where 500 passengers engaged with Bonkers Bingo during a mini cruise to Amsterdam. During the year, a new concept, 'Newbie Bingo', was also

launched in collaboration with a founder of Rebel Bingo which focuses on the concept of social gaming along with other broader entertainment events, for example band nights and eSport competitions.

With the increasing popularity of these events we plan to double the number of events in 2018/19. In addition to incremental revenue and profit these events help us drive brand awareness, reappraise our traditional offer and drive new customers to Mecca.

### VENUES REVENUE ANALYSIS

£M	2017/18	2016/17	CHANGE
Main stage bingo	<b>36.7</b>	35.0	4.9%
Interval games	<b>76.2</b>	82.9	8.1%
Amusement machines	<b>68.9</b>	69.7	1.1%
Food and drink/other	<b>26.3</b>	26.0	1.2%
Total <sup>1</sup>	<b>208.1</b>	213.6	2.6%

1. Before adjustment for customer incentives.

Main stage bingo continued to benefit from the introduction of new bingo games, resulting in a 4.9% uplift in main stage bingo revenues. However, these new games consequently reduced interval sessions and contributed to the 8.1% fall in interval games revenue.

Amusement machine investments (product and promotions) continued in the year, however the impact of lower visits resulted in a 1.1% fall in amusement machine revenue. Food and beverage revenue was marginally up due to improved menu management.

### LUDA VENUES

During the year three experimental high street gaming venues were opened designed to target a different demographic from Mecca: Walsall (August 2017), Weston-super-Mare (September 2017) and Leeds (October 2017).

Performance to date has been below management's expectations consequently all three venues have been impaired, resulting in an exceptional cost of £2.1m. All three venues are under review to improve returns specifically, modifications are underway to create a better offer more suited to their individual local markets.

# UK DIGITAL OPERATING REVIEW

## COLIN COLE-JOHNSON

Director of Digital and Cross-Channel Services



Rank's UK digital business continued to grow, with revenue<sup>1</sup> up 9.9%.

### KEY FINANCIAL PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Revenue <sup>1</sup> (£m)	<b>122.5</b>	111.5	9.9%
meccabingo.com	<b>75.0</b>	67.6	10.9%
grosvenorcasinos.com	<b>47.5</b>	43.9	8.2%
EBITDA <sup>2</sup> (£m)	<b>25.1</b>	27.8	(9.7)%
Operating profit <sup>3</sup> (£m)	<b>20.9</b>	22.7	(7.9)%

1. Before adjustments for customer incentives.
2. Before exceptional items.
3. As per note 2 in the financial statements.

A successful 'Meccarena' marketing campaign and ongoing investments into the meccabingo.com offer drove revenue<sup>1</sup> up 10.9%, following two years of low single-digit growth rates. Grosvenorcasinos.com grew revenue<sup>1</sup> 8.2% in the year, however the more stringent approach to customer due diligence impacted H2 performance resulting in revenue to decline following a strong H1. A temporary system issue resulted in some of Grosvenor's more valuable multi-channel casino customers not being contacted, which exacerbated grosvenorcasinos.com's H2 poor performance.

Operating profit<sup>3</sup> fell in the year due to higher employment costs and higher taxes following the change in taxation of free bets that came into effect from October 2017.

Customer numbers grew in the year by 7.0% driven by strong increases in grosvenorcasinos.com.

The new slots-led digital casino brand, Bella Casino, was recently launched on the Group's new digital content management system. A targeted customer marketing campaign is scheduled for H1 2018/19.

### KEY NON-FINANCIAL PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Customers ('000s)	<b>428</b>	400	7.0%

The Group invested £4.2m in the year into Grosvenor One, the single account and wallet casino product. Roll-out across the casino estate should be completed in H2 2018/19 with a comprehensive marketing programme to drive omni-channel use within our existing digital and retail casino customer base.

# ENRACHA AND YOBINGO

## OPERATING REVIEW

**PAUL RICHARDSON**  
International Managing Director



The Group's Spanish operations continued to deliver a strong performance principally driven by their venues. Revenue<sup>1</sup> and operating profit<sup>2</sup> of €42.4m and €7.4m grew by 11.0% and 2.8% respectively.

### KEY PERFORMANCE INDICATORS

	2017/18	2016/17	CHANGE
Revenue <sup>1</sup> (£m)	<b>42.4</b>	38.2	11.0%
Revenue <sup>1</sup> (£m)	<b>37.5</b>	32.8	14.3%
EBITDA <sup>3</sup> (£m)	<b>8.4</b>	7.7	9.1%
Operating profit <sup>2</sup> (£m)	<b>7.4</b>	7.2	2.8%
Operating profit <sup>2</sup> (£m)	<b>6.5</b>	6.2	4.8%
Euro like-for-like revenue <sup>4</sup>	<b>4.5%</b>		

1. Before adjustments for customer incentives.

2. As per note 2 to the financial statements.

3. Before exceptional items.

4. There were no venue closures in the year; therefore the like-for-like represents the venues performance in the year.

The above revenue and operating profit for 2017/18 includes a £1.6m revenue and £0.3m operating profit contribution from the recently acquired Spanish digital business, YoBingo, and a £0.6m revenue and £1.3m operating loss contribution from enracha.es.

Enracha's venues continued to leverage the recovery in the Spanish economy which led Euro venues revenue to grow by 4.5% in the year.

During the year, Enracha launched its first Enracha Stadium concept in Seville. The concept focuses on sports betting, amusement machines, electronic roulette and food and beverage.

Following gaming tax changes, the Group reversed previous exceptional impairment charges of £1.8m regarding its venue in Gorbea. Following a change in provincial legislation, the Zahira venues was impaired, resulting in an impairment cost of £0.7m.

### KEY NON-FINANCIAL PERFORMANCE INDICATORS – VENUES ONLY

	2017/18	2016/17	CHANGE
Customer visits ('000s)	<b>2,006</b>	1,984	1.1%
Spend per visit (€)	<b>21.14</b>	19.25	9.8%
Spend per visit (£)	<b>18.69</b>	16.53	13.1%

### VENUES REVENUE ANALYSIS

€M	2017/18	2016/17	CHANGE
Bingo	<b>22.0</b>	21.1	4.3%
Amusement machines	<b>13.0</b>	12.7	2.4%
Food and drink/other	<b>4.9</b>	4.4	11.4%
Total <sup>1</sup>	<b>39.9</b>	38.2	4.5%

1. Before adjustments for customer incentives.

# FINANCIAL PERFORMANCE

**CLIVE JENNINGS**  
Group Finance Director



	2017/18	2016/17	CHANGE
Revenue	<b>741.1</b>	755.1	(1.9)%
Less: customer incentives	<b>(50.1)</b>	(47.9)	4.6%
Statutory revenue	<b>691.0</b>	707.2	(2.3)%
Operating profit <sup>1</sup>	<b>77.0</b>	83.5	(7.8)%
Less: net finance charges <sup>1</sup>	<b>(2.8)</b>	(4.8)	(41.7)%
Add other financial losses	<b>0.1</b>	0.6	
Adjusted profit before taxation <sup>2</sup>	<b>74.3</b>	79.3	(6.3)%
Group operating profit before interest and tax	<b>50.1</b>	84.5	(40.7)%
Net financing charge before exceptional item	<b>(3.4)</b>	(4.8)	(29.2)%
Taxation	<b>(10.8)</b>	(16.8)	(35.7)%
Profit after taxation	<b>35.9</b>	62.9	(42.9)%
Earnings per share	<b>9.2P</b>	16.1P	(42.9)%
Adjusted earnings per share <sup>3</sup>	<b>15.0P</b>	16.0P	(6.3)%

For the year ended 30 June 2018, statutory revenue decreased by 2.3% to £691.0m.

Operating profit before interest and taxation was down by 7.8% due to lower revenues, with adjusted profit before taxation down 6.3%.

Total costs before exceptional items for the year were lower in the year, driven by labour efficiency savings and lower taxes due to lower revenues.

The net financing charge before exceptional items for the year fell by 41.7% to £2.8m as debt levels continued to reduce.

## EXCEPTIONAL ITEMS

In order to give a full understanding of the Group's performance and to aid comparability between periods, the Group reports certain items as exceptional to normal trading.

EXCEPTIONAL ITEM	£M
Impairments	12.1
Onerous leases	9.1
Closure of venues	3.7
Group restructuring	1.6
Acquisition costs	0.4
Total exceptional operating costs	26.9

Impairments of £12.1m principally relate to the underperformance of five Grosvenor casinos (£9.8m) and the experimental Luda venues (£2.1m). A reversal of a prior impairment in Enracha's Gorbea venue was booked in the year (£1.8m) due to a sustained improvement in performance, and following a change in provincial legislation the Zahira venue was impaired resulting in an impairment cost of £0.7m.

£9.0m of the onerous lease costs for the year related to Grosvenor's casinos, principally regarding leases at two operating casinos (Southend and Sunderland) and a closed site (New Brighton).

Closure costs includes a £4.3m charge regarding the closure of Grosvenor's loss-making casino in Bradford.

1. Before exceptions, as per note 2 to the financial statements.

2. Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwindings of the discount on disposal provisions and other financial gains and losses.

3. Adjusted EPS is calculated using adjusted profit which excludes discontinued operations, exceptional items, other financial gains or losses, unwindings of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

In H1 2017/18 the Group completed a restructuring project. The total cost of the project was £10.4m, with the remaining £1.6m recognised in 2017/18. Total costs include costs associated with changes to management and team structures at both venue and central levels, the decision to centralise support functions in a new office in Maidenhead and the merging of the separately run brand teams supporting the digital business into one operational team.

Acquisition-related costs include one-off costs to professional service firms that have resulted from the completed acquisition of YoBingo.

Total exceptional items resulted in a £1.2m cash outflow in the year.

#### EARNINGS PER SHARE

Basic EPS was down 42.9% to 9.2pence. Adjusted EPS<sup>3</sup> was down 6.3% at 15.0 pence. For further details refer to note 9 to the financial statements.

#### TAXATION

The Group's effective corporation tax rate in 2017/18 was 21.1% (2016/17: 21.1%) based on a tax charge of £15.7m on adjusted profit before taxation. This is in line with the Group's anticipated effective tax rate of 20%-22% for the year. Further details on the taxation charge are provided in note 6 to the financial statements.

On a statutory unadjusted basis, the Group had an effective tax rate of 23.1% (2016/17: 21.0%), based on a tax charge of £10.8m and total profit for the year of £46.7m.

Please refer to the Tax Fact File for further information on the Group's tax affairs.

#### CASH TAX RATE

In the year ended 30 June 2018 the Group had an effective cash tax rate of 19.4% on adjusted profit (18.5% in the year ended 30 June 2017). The cash tax rate is lower than the effective tax rate mainly as a result of the use of losses within the Group and the timing of tax instalment payments.

#### CASH FLOW AND NET CASH

As at 30 June 2018, net debt was £9.3m, £3.1m lower than at the previous year end. Net cash comprised £50.0m in bank term loans, £7.0m in finance leases and £2.7m in overdrafts, offset by cash at bank and in hand of £50.4m. In February 2018, the term loan facilities were reduced to £50.0m, from £70.0m, in line with the agreed amortisation profile. The £90.0m of revolving credit facilities ('RCF') was undrawn at the year-end.

In August 2018, the £50.0m term loan will be further amortised to £20.0m and will be settled by drawing on the Group's RCF. The final term loan repayment of £20.0m is due in March 2019.

The bank facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to net interest payable and a maximum ratio of net debt to EBITDA, tested biannually. The Group has complied with its banking covenants. Further detail regarding the Group's financial risk factors can be found in note 19 to the financial statements.

	2017/18	2016/17
Cash inflow from operations	<b>109.4</b>	128.4
Net cash payments in respect of provisions and exceptional items	<b>(7.0)</b>	(12.1)
Cash generated from operations	<b>102.4</b>	116.3
Capital expenditure	<b>(37.0)</b>	(42.7)
Acquisition of YoBingo	<b>(16.5)</b>	-
Net interest and tax payments	<b>(16.8)</b>	(17.7)
Dividends paid	<b>(29.1)</b>	(26.2)
Refund on unclaimed dividend	-	0.2
Other (including exchange translation)	<b>0.1</b>	(1.1)
Cash inflow	<b>3.1</b>	28.8
Opening net debt	<b>(12.4)</b>	(41.2)
Closing net cash	<b>(9.3)</b>	(12.4)

#### CAPITAL EXPENDITURE

CASH	2017/18	2016/17
Grosvenor Casinos – venues	<b>9.2</b>	17.1
Mecca – venues	<b>3.2</b>	9.0
Luda – venues	<b>2.1</b>	0.3
UK digital	<b>9.0</b>	2.3
Spain – venues	<b>0.7</b>	1.2
Spain – digital	<b>0.3</b>	-
Central	<b>12.5</b>	12.8
Total	<b>37.0</b>	42.7

During the year there were two key refurbishments in Grosvenor's London casino estate, at The Golden Horseshoe and The Rialto (formerly The Piccadilly); the cost in the year of both refurbishments was £3.0m. £1.2m was also spent in the year on the new casino management system, Neon.

Regarding the Group's UK digital business, £4.2m was spent on the continued development of Grosvenor One and £1.9m on the new content management system in the year.

Within central, £1.0m was spent on the roll-out of the new finance system and £7.2m on the purchase of the freehold at Stockton.

During 2018/19 the Group is planning to invest between £45m and £55m.

Total capital committed at 30 June 2018 was £1.0m.

## ACQUISITION OF YOBINGO

On 21 May 2018 Rank Digital Holdings Limited (a wholly owned Group company) acquired the entire share capital of QSB Gaming Limited, the owner of YoBingo.es, the second largest online bingo operator in Spain, for an estimated total consideration of €52.0m. The results of that business have been incorporated into the Enracha segment and details on the provisional acquisition accounting are set out in note 32 to the financial statements.

Further contingent consideration will be paid on the EBITDA generated by YoBingo in the calendar year 2018 and has been estimated based on recent business performance and expectations for future growth. Payment is expected in H2 2018/19 and the Group currently intends to fund this through drawing on its RCF.

Acquisition accounting will be finalised in the Group's 2018/19 report.

## BEDE CONVERTIBLE LOAN

The Group provided £3.5m of finance to Bede Gaming (the supplier of its UK digital gaming platform) in the form of a convertible loan which can be converted into 17.2% of the share capital of Bede. Notice of conversion was given on 4 June 2018 but the shares in Bede were not issued until after 30 June 2018. The Group intends to hold the shares as a trade investment in accordance with IAS 39.

## TAXATION CHANGES

Changes to remote gaming duty in relation to freplays and non-cash prizes were effective for Rank from October 2017. These changes resulted in additional remote gaming duty of £2.5m in the year.

In May 2018, it was announced that the rate of remote gaming duty will be increased to offset reduced tax revenues from the proposed changes to the maximum stakes of fixed odds betting terminals ('FOBTs'). Based on the Group's current levels of online gaming, each 1% increase in remote gaming duty would increase Rank's tax liability by approximately £1.1m.

From 1 April 2017, new rules were introduced restricting the amount of interest which can be treated as tax-deductible in the UK (corporate interest restriction rules). In 2017/18, this results in non-deductible interest costs of £1.0m, increasing Rank's tax liability by approximately £190k.

## IFRS 16 – LEASES

IFRS 16 'Leases' will replace IAS 17 in its entirety and will be effective for the Group from its 2019/20 accounting year. It will result in most leases being recognised in the Statement of Financial Position, with additional fixed assets and liabilities being recognised. The Group continues to assess the full impact of IFRS 16 and it is not yet possible to reasonably quantify its financial effects. The effect will be impacted by interest rates in future years, along with changes to the terms of the Group's existing leases. The directors believe that the new standard will have a material impact upon the Group's reported performance with increases in EBITDA being largely offset by increases in both depreciation and interest charges, and increases in operating profit largely offset by increases in interest charges. There is no current expectation that the group's cashflows will be materially impacted.

## IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 will be effective for the Group from its 2018/19 accounting year. The Group does not anticipate a material impact on its results or net assets from these standards that are in issue but not yet effective.

# HOW WE MANAGE RISKS

## RISK MANAGEMENT PROCESS AND METHODOLOGY

The effective understanding, acceptance and management of risk is fundamental to the strategy and success of Rank. An enterprise-wide Group risk management methodology is in place. This is integrated into the organisation management structure and responsibilities, with the principal aim of providing oversight and governance of the key and principal risks to the Group, as well as ongoing monitoring of any upcoming and emerging risks.

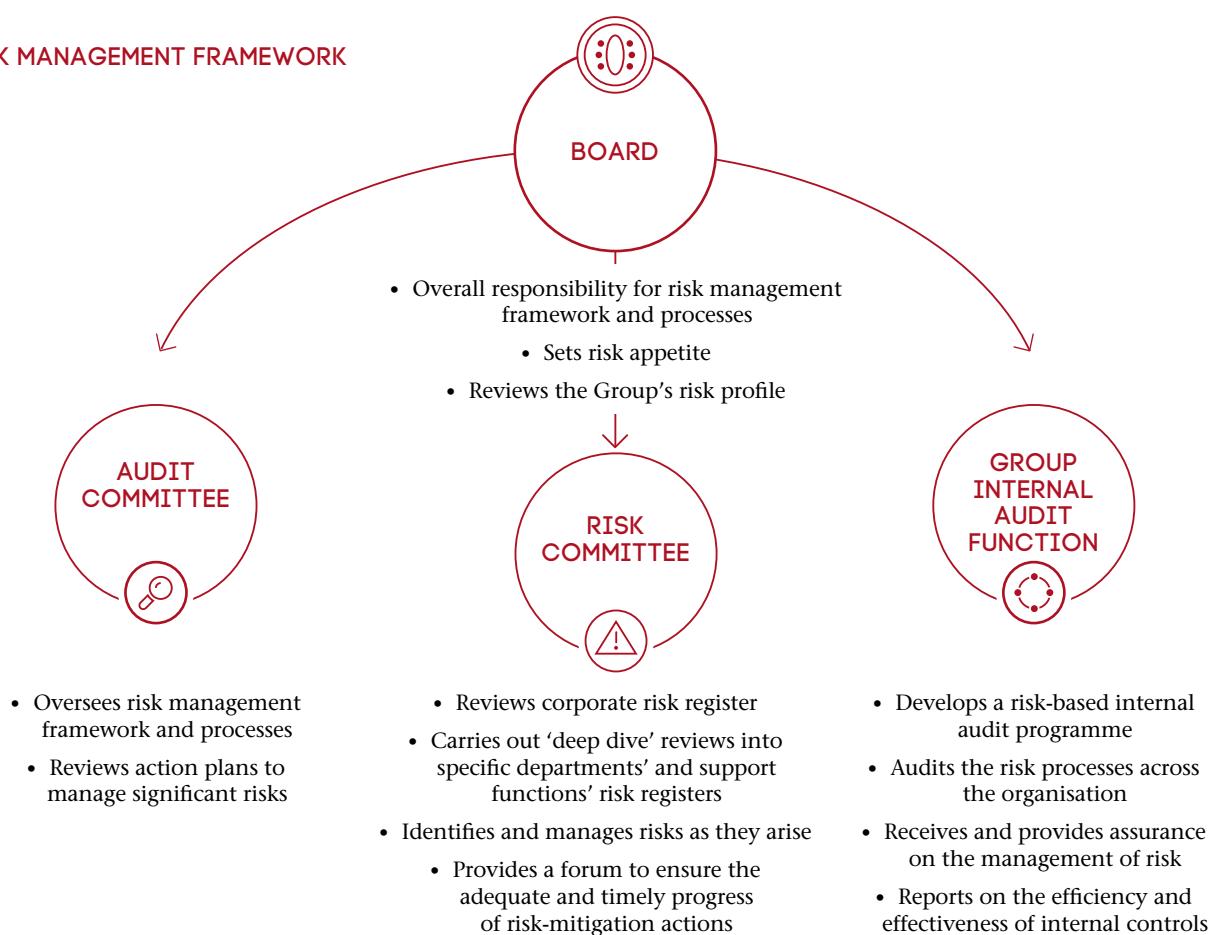
During the period under review, Rank has sought to improve its enterprise risk management capabilities and to enhance its ability to identify, mitigate, monitor and review these principal risks. For each risk identified within the impact areas the likelihood, consequence and risk owner (executive committee member) are identified. The risk owner is responsible for defining the risk mitigations, which are reviewed for appropriateness and monitored regularly.

Throughout the year the risk management approach will be subject to continuous review and updated to reflect new and emerging issues, which are themselves reviewed to understand the significance to the business. Risks are identified and monitored through risk registers at the Group level and within key business units, ensuring both a top-down and bottom-up approach.

The board has overall responsibility for the operation of the risk management framework and for establishing the Group's risk appetite, as well as ensuring that the above approach is embedded into the operations of its business. The audit committee holds responsibility for assessing the ongoing effectiveness of the risk management framework and processes, and for undertaking an independent review of the risk mitigation plans for material risks.

Additional committee working sessions are held with departmental and divisional management to ensure that risks are being identified in a timely manner, mitigating controls over identified risks

## RISK MANAGEMENT FRAMEWORK



are appropriate and effective, and action plans are put into place for emerging risks. This approach ensures that organisational risks are being identified in both a 'top-down' and a 'bottom-up' manner to give assurance that risk registers are appropriate and comprehensive.

Internal audit helps manage risk identification through conducting independent reviews of both the business risk and its progress in performing the mitigating action plans agreed for any relevant risks, the status of which is reported to the risk committee.

### GOING CONCERN

In adopting the going concern basis for preparing the financial information, the directors have considered the issues impacting the Group during the period as detailed in the operating review on pages 34 to 38 and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the approval of this report and will comply with its banking covenants.

### VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the directors make the following statement.

The directors have considered the current position of the Group, its prospects and longer-term viability over a period of three years to June 2021. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the gambling sector can be made.

In making this statement, the directors have performed a robust assessment of the principal risks facing the Group which includes consideration of both financial and non-financial risks that may threaten the business model, future performance, liquidity and solvency of the Group. The principal risks facing The Rank Group Plc and our approach to risk management are set out on page 44 to 46 and

include consideration of the impact of each risk, the direction of travel and actions taken to mitigate these risks. The risks considered included:

- a decline in retail revenue;
- adverse changes to rates of tax;
- adverse regulation;
- adverse gaming win;
- breaches of regulation;
- loss of licences; and
- technological risks (including cyber security).

The Group strategic plan is updated annually and considers current trading trends, the impacts from capital projects, existing debt facilities, and expected changes to the regulatory and competitive environment as well as expectations for consumer disposable income. In carrying out the assessment the directors have reviewed and challenged key assumptions within the Group's strategic plan. A number of plausible but severe downside risks, including consideration of possible mitigating actions, have been modelled with particular focus on the potential impact to cash flows, net debt headroom and covenant compliance throughout the period of review.

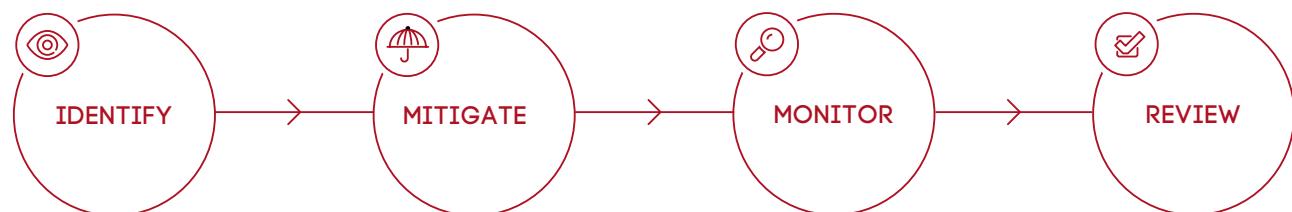
A number of assumptions were included within the assessment, including no material adverse change to:

- gaming legislation;
- gaming duties;
- societal attitudes to gambling; and
- licences required to operate gambling.

A 'reverse stress test' was also carried out in order to analyse combinations of the above risks which could bring about insolvency; in such cases it is anticipated that mitigation measures (including a reduction in dividends and capital expenditure) could be implemented in order to forestall such an outcome.

As a result of this assessment the directors have concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

### OUR RISK MANAGEMENT PROCESS



## PRINCIPAL RISKS AND UNCERTAINTIES

# ADDRESSING OUR RISKS

## PRINCIPAL RISKS

The risks outlined in this section are those principal risks that are material to the Group and represent a point-in-time assessment, as the environment in which the Group operates is constantly evolving and therefore new risks may arise.

Additionally, the potential impact of known risks may increase or decrease and our assessment of a risk may change over time. The risks below are not set out in any order of priority.

The risks below do not include all risks associated with the Group's activities. Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business. Examples of other risks include ongoing changes in the macroeconomic environment and Brexit implications. Risks such as these are not raised as principal risks, but are nevertheless under constant monitoring by the Group for any impact on the subsequent principal risks highlighted.

PRINCIPAL RISK	CHANGE IN RISK/IMPACT	RISK MITIGATION STRATEGY
<b>LAWS AND REGULATIONS</b>		
Regulatory and legislative regimes for betting and gaming in key markets are constantly under review and can change at short notice. These changes could benefit or have an adverse effect on the business and additional costs might be incurred in order to comply.  Current key risk areas include: <ul style="list-style-type: none"><li>• responsible gambling (including adverse impact on brand and reputation);</li><li>• anti-money-laundering enhanced due diligence requirements; and</li><li>• jurisdiction management.</li></ul>	<b>INCREASING</b> With the increased focus of regulators the risk here is considered to be increasing, and the impact of non-compliance could result in the imposition of licence conditions, the loss of gaming licences and/or fines.	The Group ensures that it actively provides and promotes a compliant environment in which customers can play safely.  The Group participates in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that the business provides to the economy.  The Group also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides.  The Group engages with regulators as appropriate and examines the learnings from, and measures adopted by, other operators and sectors of the gambling industry.
<b>TAXATION</b>		
Changes in fiscal regimes for betting and gaming in key markets can change at short notice. These changes could benefit or have an adverse effect and additional costs might be incurred in order to comply with any fiscal requirements.  Current key risk areas include: <ul style="list-style-type: none"><li>• Remote Gaming Duty;</li><li>• Machine Gaming Duty; and</li><li>• Gaming Duty.</li></ul>	<b>STABLE</b> It is envisaged that there will be no further changes in taxation in the immediate future other than Remote Gaming Duty, with the risk and impact of current regimes being understood.	The Group continues to monitor taxation levels, performs regular analysis of the financial impact to the organisation of changes to taxation rates and develops organisational contingency plans as appropriate.


**MORE INFORMATION**

See our market review

PAGE 21


**MORE INFORMATION**

See our Tax Fact File

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**MORE INFORMATION**

See our market review

PAGE 21

PRINCIPAL RISK	CHANGE IN RISK/IMPACT	RISK MITIGATION STRATEGY
<b>CHANGING CONSUMER NEEDS</b>		
<p>Progressive changes over time in retail consumer spending habits are resulting in lower numbers of customer visits. This can also be attributable to the overall retail proposition declining in relevance to the consumer and changes in the macroeconomic environment.</p>	<p><b>INCREASING</b> With the retail macroeconomic environment, changes in consumer spending habits and need to continually assess the relevance of the proposition, this is requiring an ever-increasing focus by the Group.</p>	<p>The Group monitors financial performance across the clubs with clubs performing adversely being raised for remedial attention.  Changing the club product and service offering to have greater appeal to today's more leisure-oriented customer is being developed through segmentation and new product offerings.</p>
<b>STRATEGIC PROJECTS</b>		
<p>Key strategic projects could fail to deliver resulting in missed market opportunities, and/or take longer to deliver resulting in missed synergies and savings.  Current key strategic projects include:</p> <ul style="list-style-type: none"> <li>• Grosvenor One; and</li> <li>• content management system.</li> </ul>	<p><b>INCREASING</b> A failure to deliver key strategic projects impacts on customer loyalty and the strategic growth of the organisation.</p>	<p>Key strategic projects are subject to detailed management oversight from a project team as well as having sponsorship from a senior-level stakeholder.  The Group has a structured and disciplined project delivery methodology to ensure that critical projects are robustly managed to achieve their outcome.  A comprehensive project risk approach is also undertaken within the project, managed by experienced project managers.</p>
<b>BUSINESS CONTINUITY PLANNING</b>		
<p>Planning and preparation of the organisation to ensure it overcomes serious incidents or disasters and resumes its normal operations within a reasonably short period is critical to ensure that minimal impact occurs to its operations, customers and reputation.  Typical disasters that business continuity covers can include: natural disasters including fires and floods, accidents impacting key people, insolvency of key suppliers, negative media campaigns and market upheavals.</p>	<p><b>STABLE</b> The geographical nature of the operating environment and key risk exposures have not changed significantly and are known and understood.</p>	<p>Group business continuity plans have been developed and are in place for key business areas, with an ongoing refresh to ensure that they remain current for all business areas.  This approach includes the development, embedding and refinement of the incident and crisis management approach for the Group in order to proactively manage these incidents.</p>


**MORE INFORMATION**

See our strategy on

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**PRINCIPAL RISKS AND UNCERTAINTIES** CONTINUED

See our  
strategy on

PAGE 24

PRINCIPAL RISK	CHANGE IN RISK/IMPACT	RISK MITIGATION STRATEGY
<b>CUSTOMER DATA MANAGEMENT</b>		
Processing of personal customer data (including name, address, age, bank details and betting/gaming history) is performed and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates, such as GDPR.  The Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations. This could result in prosecutions including potential financial penalties and the loss of the goodwill of its customers. It could also deter new customers.	<b>STABLE</b> The Group has developed a robust control environment in relation to customer data controls and the regulatory requirements.	Awareness, training and recruitment of a data protection officer to oversee ongoing data regulation compliance.  A programme of activity has been initiated to ensure the Group meets the GDPR requirements and continues to improve its current control environment.
<b>CYBER SECURITY AND RESILIENCE</b>		
Cyber attacks can disrupt and cause considerable financial and reputational damage to the Group. If a cyber attack were to occur the Group could lose assets, reputation and business, and potentially face regulatory fines and litigation – as well as the costs of remediation.  Operations are highly dependent on technology and advanced information systems (such as cloud computing) and there is a risk that such technology or systems could fail or outages occur.	<b>INCREASING</b> Due to the persistent nature of this threat and reliance on core technology systems, this is considered an increasing risk to the Group.	External cyber benchmarking has been performed to understand the maturity of controls with a roadmap of further work planned to enhance them within the current IT estate.  A programme of work is ongoing to enhance cyber security and resilience within the IT estate with dedicated specialised resources.
<b>THIRD PARTY SUPPLY CHAIN</b>		
The Group is dependent on a number of third-party suppliers for the operation of its business. The withdrawal or removal from the market of one or more of these third-party suppliers, or failure of these suppliers to comply with contractual obligations, could adversely affect operations, especially where these suppliers are niche.	<b>STABLE</b> The third-party operating environment and key risk exposures remain unchanged.	The Group has a central team in place to oversee the process for acquisition of suppliers across the Group.  Close communication and relationships are in place with suppliers to ensure that Group requirements can be met.
<b>VOLATILITY OF GAMING WIN</b>		
The nature of the games played means that win margin can fluctuate in the short term, although it will generally perform at a stable average over a longer period.  The important VIP sector of the business in both retail and digital contains a small volume of customers who can themselves create volatility in the overall margin given the value of their gaming play.  Issues with misfeasance or the accurate management of the games can also affect win margins.	<b>STABLE</b> Fluctuations in gaming win margin directly affect profitability.	Gaming limits are utilised across all areas of gaming operations to continually manage risk exposure. Such limits are reviewed as appropriate.

**TAX FACT FILE**

# APPROACH TO TAX

**Rank is committed to acting responsibly in all areas, including taxation.**

## TOTAL TAX CONTRIBUTION

In the year 2017/18 Rank paid £228.3m (2016/17: £239.0m) to tax authorities and local governments in irrecoverable VAT, gambling taxes, corporate tax, employment taxes and local business rates. Rank has provided employment to approximately 10,000 (2016/17: 10,000) people across the Group. The broader impact of Rank's operations, including taxes paid by supplier companies, is harder to quantify but no less significant.

### TAX STRATEGY

The taxation of betting and gaming is complex, involving many different taxes and duties. Rank's aim is to ensure that all taxes are correctly accounted for and that tax returns are submitted accurately, on time and that all tax liabilities are paid.

Rank is committed to acting with honesty and integrity in all matters with a strong emphasis on corporate reputation, social responsibility and maintaining good relationships with governments.

The Board reviews and approves the Group's tax strategy annually, which is published on Rank's website. The group finance director is responsible for ensuring that the Group complies with the documented tax strategy, supported by appropriately trained and qualified staff. Any significant decisions relating to tax are taken to the Board for prior approval, including decisions on whether to litigate and the approach to dealing with

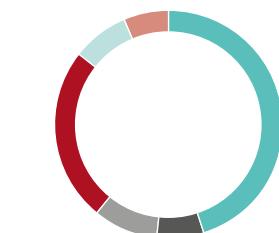
disputes with tax authorities. The Board is kept informed of future tax changes, including potential impacts from tax consultations.

From an accounting perspective, Rank takes a prudent approach to areas of dispute, providing for areas of uncertainty and not recognising claims unless they are certain to be received. Systems, processes and controls are in place to ensure that tax returns are correctly prepared, accounted for and taxes paid. Senior Accounting Officer documentation is reviewed and updated as appropriate on an annual basis as a minimum and there are procedures in place to ensure that adequate reviews are undertaken.

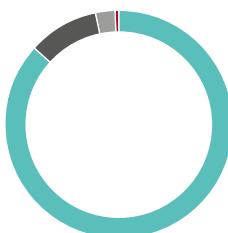
Rank complies with all applicable laws, regulations and disclosure requirements in relation to tax, exercising professional care and judgement in relation to decisions reached. Such decisions are fully documented and audited as appropriate. Rank is committed to operating responsibly and considers the reputational impact of transactions as well as their direct financial implications. The Group does not intend to enter into aggressive tax avoidance transactions and any tax planning will revolve around the commercial needs of the business.

When undertaking commercial transactions, the Group will take advantage of tax reliefs, incentives and exemptions in accordance with the relevant tax legislation.

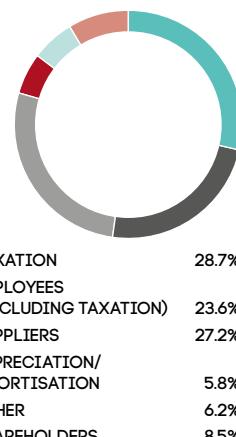
### TAX PAYMENTS BY TYPE OF TAX



### TAX CONTRIBUTION BY TERRITORY



### TOTAL OUTGOINGS



Rank's tax risks are managed as part of the Group's overall comprehensive risk management methodology, that balances risk and opportunities to achieve strategic objectives. Each risk is identified, mitigated, monitored and reviewed based on its specific facts and circumstances.

The tax team collaborates with colleagues across the business at the start of projects to ensure that tax costs and tax risks are taken into consideration as part of any decision-making process.

Where tax issues are particularly complex or uncertain, or if it is considered that HMRC may take a different view than that adopted by Rank, external advice is taken by professional advisers or tax counsel as appropriate.

If the Group disagrees with a tax authority about the correct treatment of a tax issue, the Group aims to reach resolution as quickly as possible whilst also defending its position robustly with a view to protecting shareholder value and taking into account the cost of defending audits or assessments in relation to the amounts of tax at stake. Rank will consider litigation provided that the grounds of appeal stand a good chance of success in litigation and that there is sufficient tax at stake to warrant the cost of litigation.

Rank actively and positively participates in all relevant tax consultations to help shape changes to tax legislation or policy that are relevant to the business.

### **TAX RATES AND PERFORMANCE**

The Group's effective corporation tax rate in 2017/18 was 21.1% (2016/17: 21.1%) based on a tax charge of £15.7m on adjusted profit before taxation. This is in line with the Group's anticipated effective tax rate of 20%-22% for the year. Further details on the taxation charge are provided in note 6 to the financial statements.

In the year ended 30 June 2018 the Group had an effective cash tax rate of 19.4% on adjusted profit (18.5% in the year ended 30 June 2017). The cash tax rate is lower than the effective tax rate mainly as a result of the use of losses within the Group and the timing of tax instalment payments.

The effective corporation tax rate for 2018/19 is expected to be 21%-23%, being 2%-4% above the UK statutory tax rate as a result of some overseas profits being taxed at higher rates, non-deductibility of interest payments and depreciation of assets that do not qualify for capital allowances.

The Group is expected to have a cash tax rate of approximately 20%-22% in the year ended 30 June 2019.

From 1 April 2017 new rules were introduced restricting the amount of interest which can be treated as tax-deductible in the UK (corporate interest restriction rules). The rules restrict interest deductions above a certain ratio and include an overall debt cap based on net interest expense of the worldwide Group. Due to the nature of the Hong Leong Company (Malaysia) Berhad ('HLCM') group (Rank's ultimate parent entity), which owns a financial services business which operates outside the UK, Rank will be subject to a de-minimis interest allowance of £2m per annum, which must be shared between other UK subsidiaries of HLCM. In 2017/18 this resulted in non-deductible interest costs of £1.0m, increasing Rank's tax liability by approximately £190k. There are no inter-company transactions between Rank entities and the HLCM group and all of Rank's borrowings are from third party lenders in the UK. Rank is in discussions with HMRC about the impact of the rules on Rank.

### **GAMBLING TAXES**

#### **UNITED KINGDOM**

Changes to remote gaming duty in relation to freeplays and non-cash prizes were effective for Rank from October 2017. These changes resulted in additional Remote Gaming Duty of £2.5m in the year. In May 2018 it was announced that the rate of Remote Gaming Duty will be increased to offset reduced tax revenues from proposed changes to the maximum stakes of Fixed Odds Betting Terminals ('FOBTs'). The intention is that the changes to FOBTs and Remote Gaming Duty will be revenue neutral from HMRC's perspective, although it is not yet clear what the new Remote Gaming Duty rate will be or the date of implementation. This will be subject to further consultation by HMRC. Based on current levels of online gaming, each 1% increase in Remote Gaming Duty would increase Rank's tax liability by approximately £1.1m.

During 2015/16 and 2016/17 Rank submitted repayment claims totalling £6.8m to protect its position in relation to Gaming Duty on free bet vouchers or casino chips provided by the casino to the player free of charge. This follows a judgment at the Upper Tier Tribunal for another casino operator, which stated that these items should not be included in the calculation of gross gaming yield for Gaming Duty purposes. HMRC's appeal was heard at the Court of Appeal in March 2018. These claims have not been recognised in the P&L and will be discussed further with HMRC when the Court of Appeal judgment is available.

In 2015/16 the Group trialled an improvement to Rank's electronic roulette offering across the casino estate where live or automated wheels operated in one casino may be beamed to electronic roulette terminals located in another casino (referred to as 'Rush Roulette'). This was driven by commercial factors which include improved customer service by being able to offer dealer-operated tables 24 hours a day, consistency of play for customers, more optimal use of licensed gaming space across the casino estate and labour cost savings through one dealer being able to cover more than one casino. Rush Roulette has proved popular with customers and has been rolled out more widely during 2017/18. From a Gaming Duty perspective, the bet is accepted and any winnings are paid out of the casino where the roulette wheel is located (the 'banker' casino). Rank has received advice which indicates that income should be recognised in the 'banker' casino and that duty is payable at the relevant rate for that casino. Currently the Gaming Duty liability varies across the casino estate from 15% to 50% depending on the level of activity in the respective premises. HMRC do not agree with Rank's tax analysis. As at 30 June 2018, the amount under dispute was approximately £2.3m and has been fully provided for.

Rank considers that the current tax regime for gaming in Great Britain remains unduly complex resulting in an inconsistent tax treatment for some products offered to customers. Legislation also does not fully reflect technological advances that are taking place within the industry. Gaming duty in casinos ranges from 15% to 50%, whereas similar games played online are subject to Remote Gaming Duty at 15%. Rank promotes multi-channel gaming to its customers and is in favour of a simpler unified tax regime that encourages sustained growth and investment.

#### SPAIN

In 2011, the Spanish government invited online operators to apply for remote gaming licences and introduced tax changes which levied gaming duty on a place-of-consumption basis. Remote gaming duty was introduced at a rate of 25% of gross gambling revenue (GGR). This differs from the taxation of land-based businesses, which although taxed at similar rates (of between 5% to 25%), are taxed on stakes received rather than revenue generated. Spain's national government has reduced remote gaming duty from 25% to 20% effective from 1 July 2018 for Rank.

#### BELGIUM

The Belgian government introduced a taxation and licensing framework for online gaming companies in 2011. Companies may only apply for an online gaming licence in Belgium if they already hold a land-based gaming licence. Rank currently holds one digital licence that it allows a third-party operator to use in exchange for a revenue share. Online gaming in Belgium is subject to remote gaming duty at a rate of 11% and from 1 August 2016 has also been subject to VAT at 21%. This differs from land-based gaming, which remains exempt from VAT. In March 2018 the Belgian courts ruled to annul VAT on online gaming.

**VAT**

As gambling is exempt from VAT in the UK, Rank pays significant amounts of irrecoverable VAT (£20.0m for the UK in 2017/18 and £29.5m for the UK in 2016/17). Rank has withdrawn appeals relating to prior periods and all VAT assessments in relation to partial exemption have been paid. VAT returns are filed using the standard method for recovery of residual VAT (based on a turnover basis). This is in line with HMRC guidance. This method will continue to be used until an alternative method can be agreed with HMRC, which more accurately reflects how input tax is used in the businesses.

**COMPOUND INTEREST**

Rank has withdrawn its claims for compound interest following HMRC's success at the Supreme Court.

**VAT CLAIMS**

The following VAT recovery claims are outstanding:

	VAT (£M)	STATUS
October 2002 to September 2005	25.2	Found in favour of HMRC at the Supreme Court in July 2015. Remitted back to the First Tier Tribunal ("FIT") to consider similarities between amusement machines and fixed odds betting terminals ("FOBTs"). In July 2018 the FIT found in favour of Rank. HMRC may appeal the decision if permission is granted by the court.
April 2006 to January 2013	80.4	Rank is stood behind the litigation of another taxpayer. This case was heard by FIT in November 2017, finding in favour of the taxpayer. The issue is whether certain amusement machines were similar to FOBTs. Depending on the final outcome of that litigation further litigation may be required.
June 1973 to September 1996 December 2002 to June 2004 March 2003 to June 2009	67.0	Bingo VAT claim found in favour of HMRC at FIT. Rank has appealed. This issue is whether input VAT was correctly offset against previous bingo VAT repayments.

The Supreme Court decision in the amusement machines case for October 2002 to September 2005 has not altered Rank's appraisal of its chances of success in its remaining amusement machine claims. Rank believes that it has a reasonable chance of success in both of the amusement machine claims above, although as is the case with any litigation, there is a risk that the courts will take a different view.

## UK TAX REGIME

GAMING DUTY/GROSS PROFITS TAX	
<b>Mecca – venues</b>	
Category B3 gaming machines	<b>20%</b>
Category C gaming machines	<b>20%</b>
Category D gaming machines	<b>5%</b>
Main stage bingo	<b>10%</b>
Interval bingo	<b>10%</b>
<b>Grosvenor Casinos – venues</b>	
Casino games and poker (tax on gaming win in a six-month period)	<b>15% – £0 TO £2,423.5K</b> <b>20% – £2,423.5K TO £4,094K</b> <b>30% – £4,094K TO £7,019.5K</b> <b>40% – £7,019.5K TO £13,195K</b> <b>50% – OVER £13,195K</b>
Category B1 gaming machines	<b>20%</b>
<b>Digital</b>	
meccabingo.com*	<b>15%</b>
grosvenorcasinos.com*	<b>15%</b>
Sportsbook	<b>15%</b>

\* Rank's online business is based offshore (Alderney, Channel Islands) and has been subject to UK remote gaming duty with effect from 1 December 2014.

## SPANISH TAX REGIME

	BINGO DUTY*	REMOTE GAMING DUTY**	LICENCE (ANNUAL AVERAGE)
Bingo tax set by region	5% TO 25%	-	-
Category B2/3 gaming machines	-	-	€3,650
Multi-post electronics	-	-	€10,600
enracha.es and YoBingo.es	-	20%	-

\* Calculated as a percentage of stake.

\*\* 20% with effect from 1 July 2018.

## BELGIAN TAX REGIME

	GAMING DUTY
Table games	33% - €0 TO €865K 44% - OVER €865K
Electronic roulette / amusement machines	20% - €0 TO €1,200K 25% - €1,200K TO €2,450K 30% - €2,450K TO €3,700K 35% - €3,700K TO €6,150K 40% - €6,150K TO €8,650K 45% - €8,650K TO €12,350K 50% - OVER €12,350K

# GOVER REPOR

## GOVERNANCE

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**BOARD OF DIRECTORS****1. IAN BURKE**

Chairman

Appointment March 2006

Age 62

**EXPERIENCE**

Ian has spent most of his career in the leisure industry, initially in bingo clubs, then hotels and health and fitness clubs. He was chief executive of Rank from March 2006 to May 2014, of the Holmes Place group from July 2003 to February 2006 and of Thistle Hotels plc from May 1998 to May 2003. He also held various roles with Bass plc between 1990 and 1998, including managing director of Gala Clubs and managing director of Holiday Inns. Ian was executive chairman of Findel plc from January to April 2017.

**OTHER ROLES**

Ian is non-executive chairman of Findel plc.

**COMMITTEE MEMBERSHIP**

Nominations, Finance and Responsible Gambling.

**2. JOHN O'REILLY**

Chief Executive

Appointment May 2018

Age 58

**EXPERIENCE**

John has extensive experience within the betting and gaming industry. He was a senior executive at Gala Coral Group between August 2011 and April 2015, prior to which he had a 19-year career at Ladbrokes. During his time at Ladbrokes, he held several senior positions, including managing director of remote betting and gaming, and also served as an executive director on the board of Ladbrokes plc between 2006 and 2010. He was a non-executive director of William Hill PLC between January 2017 and April 2018 and non-executive chairman of Grand Parade Limited between June 2015

and August 2016, when Grand Parade was sold to William Hill. John was also a non-executive director and chair of the remuneration committee at Telecity Group plc between September 2007 and January 2016.

**COMMITTEE MEMBERSHIP**

Finance and Responsible Gambling.

**3. CLIVE JENNINGS**

Finance Director

Appointment July 2011

Age 57

**EXPERIENCE**

Clive was previously Rank's group financial controller prior to which he was the financial controller of Rank's gaming division. He held senior finance positions at several other companies prior to joining Rank in July 2000. He is a chartered accountant.

**COMMITTEE MEMBERSHIP**

Finance.

**4. CHRIS BELL**

Senior Independent Director

Appointment June 2015

Age 60

**EXPERIENCE**

Chris has over 20 years' experience in the betting and gaming industry. He joined the Hilton Group in 1991 and became managing director of its Ladbrokes Worldwide business in 1994. He joined the board of Hilton Group Plc in 2000 and, following the disposal of its hotels division, became chief executive when it was renamed Ladbrokes plc where he remained until May 2010. Prior to joining the Hilton Group, Chris held several senior positions at Allied Lyons for 12 years. Chris was senior independent director of Quintain Estates & Development plc from September 2010 to September 2015, a non-executive director of Spirit Pub Company plc from August 2011 to

June 2015 and chairman of The GAME Group plc from January 2003 to March 2012. He was also a trustee of Northern Racing College from June 2014 to March 2017.

**OTHER ROLES**

Chris is non-executive chairman of four AIM-listed companies: XLMedia PLC, TechFinancials, Gaming Realms plc and OnTheMarket plc. He is also a non-executive director of The Royal Airforce Charitable Trust Enterprises.

**COMMITTEE MEMBERSHIP**

Audit, Nominations, Remuneration and Responsible Gambling.

**5. STEVEN ESM**

Non-executive Director

Appointment March 2016

Age 57

**EXPERIENCE**

Steven has extensive commercial experience gained within several consumer-focused multi-site retail businesses. He had a 12-year career at Waitrose, the last five years of which were as managing director and he was an executive director of the John Lewis Partnership from March 2003 until April 2007. He has also held several other senior and non-executive positions within the food sector. He was a non-executive director of The Carphone Warehouse Group plc from September 2005 to July 2009 and of Ocado Limited from October 2000 to February 2004.

**OTHER ROLES**

Steven is the senior independent director of the FTSE-250-listed food producer Cranswick plc, and chairs its remuneration committee. He is non-executive chairman of The Advantage Travel Partnership.

**COMMITTEE MEMBERSHIP**

Remuneration (chair), Audit and Nominations.

**6. SUSAN HOOPER**

Non-executive Director  
Appointment September 2015  
Age 58

**EXPERIENCE**

Susan has extensive experience gained within large consumer-facing businesses combined with broad commercial non-executive experience. Susan was managing director of British Gas Residential Services from January to October 2014 and chief executive of Acromas Group's travel division from March 2009 to November 2013. Prior to 2009 she held senior roles at Royal Caribbean International, Avis Europe, PepsiCo International, McKinsey & Co, and Saatchi & Saatchi. She has also served as a non-executive director of Whitbread PLC (September 2011 to January 2014); First Choice Holidays Limited (April 2005 to September 2007); RSA Insurance Group plc (August 2001 to March 2004) and Courtaulds Textiles Limited (October 1999 to June 2000).

**OTHER ROLES**

Susan is a non-executive director of the Department for Exiting the European Union (DExEU) where she also serves on its audit and risk assurance committee. She is a non-executive director of Wizz Air Holdings Plc, Uber Britannia Limited and Uber London Limited and of Affinity Water Limited where she also serves as chairman of the remuneration committee. Susan is a member of the International Advisory Board of LUISS Business School in Rome.

**COMMITTEE MEMBERSHIP**

Remuneration, Nominations and Responsible Gambling.

**7. THE RT. HON. THE EARL OF KILMOREY, PC**

Non-executive Director  
Appointment May 2012  
Age 76

**EXPERIENCE**

Lord Kilmorey has diverse experience in commerce and industry and in government. He was Minister of Trade from 1992 to 1995 and Northern Ireland Minister from 1985 to 1992. He was a non-executive director of Avon Rubber p.l.c. from January 2007 to February 2013 (including five years as chairman). He was also a director of The General Electric Company PLC from October 1995 to August 1997 and of various Dyson group companies from October 1995 to February 2012 (including four years as deputy chairman). He was chairman of Biocompatibles International plc from July 2000 to June 2006 and of The Heart Hospital Limited from November 1998 to November 2001.

**OTHER ROLES**

Lord Kilmorey is a director of Halsbury Homes Limited and a non-executive director of NEC Europe Ltd, a leading internet services and systems solutions provider.

**COMMITTEE MEMBERSHIP**

Nominations and Responsible Gambling (chair).

**8. ALAN MORGAN**

Managing Director, Retail  
Appointment May 2018  
Age 41

**EXPERIENCE**

Alan joined Rank in September 2016 as managing director for Mecca's retail business and was appointed the Group's UK retail managing director in October 2017. Alan has held a number of senior positions within the hospitality and leisure sector, including chief operating & commercial officer for Spirit Pub Company and roles at Whitbread and David Lloyd Leisure.

**9. ALEX THURSBY**

Non-executive Director  
Appointment August 2017  
Age 58

**EXPERIENCE**

Alex has over 30 years of experience within the banking sector. He was chief executive of National Bank of Abu Dhabi from 2013 to 2016 and he held senior roles at Australia and New Zealand Banking Group from 2007 to 2013 and at Standard Chartered Bank from 1987 to 2007. From 2008 to 2013 he was a non-independent non-executive director of the Bursa-Malaysia-listed AMMB Holdings Berhad, part of the AmBank Group, one of the largest banking groups in Malaysia.

**OTHER ROLES**

Alex is a non-executive director of Barclays Bank PLC. He is also a trustee of The Eden Rivers Trust.

**COMMITTEE MEMBERSHIP**

Audit (chair), Remuneration and Nominations.

**10. LUISA WRIGHT**

Company Secretary  
Appointment May 2018  
Age 41

**EXPERIENCE**

For six years Luisa was group general counsel and company secretary at international betting technology company Sportech PLC. Prior to that she spent ten years at Olswang LLP (now known as CMS Nabarro Olswang LLP), where she specialised in advising clients in the gambling, sport and media sectors.

# CHAIRMAN'S GOVERNANCE

## INTRODUCTION

**IAN BURKE**  
Chairman



### DEAR SHAREHOLDER

I am pleased to present this year's directors' and corporate governance report ('Report'). As a board, we recognise the importance of a strong governance framework to support Rank's strategic objectives and promote the culture that we wish to instil throughout the Group. The board believes that high standards of corporate governance contribute to Rank's performance and continued success. These standards are central to the effective management of the business and to maintaining the confidence of investors.

This Report describes how the board functions. It is supported by five committees (audit, finance, nominations, remuneration and responsible gambling). The work undertaken by the committees during the year under review is set out in this Report, with some of the principal matters considered set out below. The board itself received unconscious bias training and members of the board were delighted to attend the inaugural Women at Rank networking breakfast.

### BOARD COMPOSITION

Succession planning has been an important topic for the board and its nominations committee during the year (please see page 70). There have been a number of changes to the board's composition. Owen O'Donnell stepped down on 19 October 2017, having completed nine years on the board. His successor as audit committee chair is Alex Thursby, who was appointed to the board on 1 August 2017, and also serves on our remuneration and nominations committees. Henry Birch stepped down as chief executive on 7 May 2018, being succeeded by John O'Reilly. On the same date, Alan Morgan, managing director, retail was appointed to the board as an executive director. Rank's finance director, Clive Jennings, will leave the business on 17 August 2018 to pursue other opportunities and the Group's head of reporting, James Pizey, will step up as interim chief financial officer until Clive's successor has been appointed. Lord Kilmorey will be stepping down from the board on 18 October 2018, following the 2018 AGM, having

completed over six years on the board. His successor as responsible gambling committee chair will be Susan Hooper.

I would like to take this opportunity to again thank Henry, Clive, Owen and Lord Kilmorey for their respective valuable contributions to the Company, and thank all my other colleagues for their commitment to the business during the year.

### REMUNERATION POLICY

During the year under review, the remuneration committee undertook a comprehensive review of Rank's remuneration arrangements. At a general meeting of the Company on 25 April 2018, shareholders approved a new directors' remuneration policy ('Policy') and also minor changes to the rules of The Rank Group Plc 2010 Long-Term Incentive Plan. The Committee believes that the Policy remains largely fit for purpose and continues to be aligned to our strategy. Further details can be found in the Directors' Remuneration Report on page 87.

### FOCUS ON REGULATORY DEVELOPMENTS

Over the past 12 months there has been a notable increase in the focus of regulators and consumers on issues relating to the gambling industry. Conducting business responsibly is fundamental to the future success of Rank. To this end, during the year the board has rightly devoted significant time to considering how the Company can raise standards in its own operations and across the industry. Rank has reviewed, and continues to review, its own internal processes, reflecting on where its policies and technology can be improved and ensuring that such improvements are made. In doing so, the Company has engaged with regulators as appropriate and examined the learnings from, and the measures adopted by, other operators and other sectors of the gambling industry. We continue to focus on the delivery of the cultural change across Rank that is required to ensure a safe and fair experience for our customers.



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## DIVERSITY AND INCLUSION

The board continues to value diversity in its broadest sense throughout the Group and welcomes the progress it has made in driving forward its diversity and inclusion agenda. The board itself received unconscious bias training and members of the board were delighted to attend the inaugural Women at Rank networking breakfast. Further to the findings of the Hampton-Alexander Review and the Parker Report, the board continues to recognise a target of 33% of women on the board and the Group has set a target of 33% of women on the executive committee and of direct reports to the executive committee by 2020. As at 30 June 2018, 12.5% of the board was female, 22.2% of the executive committee and 25.3% of direct reports to the executive committee. The Company also aims to have at least one Black, Asian, and minority ethnic (BAME) director on its board by 2024.

## GOVERNANCE – KEY FEATURES

We are reporting this year against the April 2016 version of the UK Corporate Governance Code (the ‘Code’) and the table below summarises the key features of governance at Rank and indicates where more information can be found in this report. During the year Rank was in compliance with the Code, save in respect of Code Provision B.6.2 which requires the evaluation of the board by an external facilitator every three years. Further details are set out below and on page 62.

The board remains aware that the governance landscape in the UK continues to evolve, in particular with the Financial Reporting Council’s publication on 16 July 2018 of a new version of the UK Corporate Governance Code (the ‘2018 Code’). The board has reviewed the 2018 Code and will be considering ways in which the Company can take early account of the forthcoming changes.

## CONCLUSION

Our responsibilities as a board include setting the Company’s strategic aims, providing the leadership to put them into effect and supervising the management of the business. The board also takes responsibility, as a whole, for ensuring that a satisfactory dialogue with shareholders takes place. With this in mind, I would like to welcome all shareholders to attend our annual general meeting (AGM), which is scheduled for 11am on 18 October 2018 at TOR, Saint-Cloud Way, Maidenhead, Berkshire SL6 8BN. The meeting provides an important opportunity for the board to meet with shareholders and we look forward to seeing you there.

### IAN BURKE

Chairman

*15 August 2018*

		PAGE
<b>Independence</b>	Over half of our board (excluding the chairman) is made up of independent non-executive directors.	61
<b>Senior independent director</b>	Our senior independent director is Chris Bell.	60
<b>Composition, competence and experience</b>	The composition of the board and all its committees, complies with the Code. In particular, the Code’s requirements for recent and relevant financial experience and sector experience and the DTR’s requirement for competence in accounting or auditing and sector competence are complied with.	61-72
<b>Responsibilities and election</b>	There are clear terms of reference for the board and its committees and there is a clear separation of duties between the chairman and chief executive roles. All directors stand for re-election annually.	60-62
<b>Attendance</b>	The directors have all attended an acceptable number of board and committee meetings.	59
<b>Evaluation</b>	Individual director evaluations were completed. However, the board determined that in light of recent and forthcoming, board changes, performance evaluation of the board and its committees led by external facilitators should be postponed. This will be undertaken during the first half of the 2018/19 financial year.	62
<b>Internal audit</b>	We have an internal audit function, details of which can be found in the audit committee report.	64
<b>External audit</b>	Rank’s external audit was most recently tendered during 2009, resulting in a change of external auditors and the appointment of EY at the Company’s AGM on 22 April 2010. This contract will be tendered again during the 2018/19 financial year.	65
<b>Non-audit work policy</b>	We have a policy governing the award of non-audit work to our external auditor and we have disclosed the non-audit work undertaken.	65
<b>Remuneration</b>	During the year, the board and its remuneration committee have received briefings on external factors influencing executive pay and are mindful of the need to curb excessive remuneration, to align incentives with the long-term interests of the Company and shareholders and to increase transparency. A new directors’ remuneration policy was approved the Company’s general meeting on 25 April 2018.	76

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the UK Corporate Governance Code, revised by the Financial Reporting Council in April 2016 (the 'Code').

This corporate governance statement covers the following areas:

- structure and role of the board and its committees;
- board effectiveness;
- audit committee;
- nominations committee;
- finance committee; and
- responsible gambling committee.

The directors have assessed the prospects of the Group over a three-year period. Further details of the viability assessment are provided on page 43.

The report of the remuneration committee is set out separately in the directors' remuneration report on pages 76 to 94.

### COMPLIANCE WITH THE CODE

The board confirms that, save in respect of Code Provision B.6.2 requiring the evaluation of the board by an external facilitator every three years, it has complied with the provisions of the Code throughout the year ended 30 June 2018. Further details of the board's approach to Code Provision B.6.2 are provided on page 62.

This corporate governance statement forms part of the directors' report and accordingly is approved by the board and signed on its behalf by the company secretary. Certain parts of this corporate governance statement have been reviewed by the Company's auditors, Ernst & Young LLP, for compliance with the Code, to the extent required.

In this corporate governance statement the following abbreviations are used:

FCA – Financial Conduct Authority

'Guoco' – Guoco Group Limited

'Hong Leong' – Hong Leong Company (Malaysia) Berhad.

### STRUCTURE AND ROLE OF THE BOARD AND ITS COMMITTEES

The board is collectively responsible for the long-term success of the Group. The board's main responsibilities are set out below. The board delegates certain matters to committees, as set out below, and delegates the detailed implementation of matters approved by the board and the day-to-day operational aspects of the business to the executive directors.

## CODE MAIN PRINCIPLES

### LEADERSHIP

#### *Board composition*

As at the date of this report, the board consists of:

- a non-executive chairman;
- five independent non-executive directors;
- three executive directors – the chief executive, the finance director and the managing director, retail.

The names and biographies of all directors are published on pages 54 to 55.

#### *Key board responsibilities*

The board is responsible for:

- Group strategy, objectives and policies;
- internal controls and risk management;
- general and long-term progress of the Group within the political, economic, environmental and social setting of the day;
- sound governance, health and safety, and environmental policies;
- financial performance, annual budgets and business plans;
- board and company secretary appointments;
- major capital expenditure, acquisitions and divestments;
- senior management structure, remuneration and succession;
- annual and half-year financial results and interim management statements;
- responsible gambling and ethical behaviour;
- board committees and their terms of reference; and
- investor relations.

Specific responsibilities are delegated to five formal board committees, which support the board in discharging its duties. These are:

#### *Audit committee*

Alex Thursby (chairman), Chris Bell and Steven Esom

#### *Nominations committee*

Ian Burke (chairman), Chris Bell, Steven Esom, Susan Hooper, Lord Kilmorey and Alex Thursby

#### *Remuneration committee*

Steven Esom (chairman), Chris Bell, Susan Hooper and Alex Thursby

#### *Responsible gambling committee*

Lord Kilmorey (chairman), Chris Bell, Ian Burke, Susan Hooper\* and John O'Reilly

#### *Finance committee*

Ian Burke (chairman), Clive Jennings\*\* and John O'Reilly

These committees report to the board and operate within defined terms of reference, which can be obtained from our website at [www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html), or by writing to the company secretary.

\* Susan Hooper will become chair of the responsible gambling committee when Lord Kilmorey steps down from the board at the 2018 AGM.

\*\* James Pizey, head of reporting, will replace Clive Jennings on the finance committee on an interim basis.

In addition to the governance structure, as mentioned above, the board from time to time delegates specific responsibilities to the executive directors and/or to other committees. For example, this year an executive GDPR steering committee was established to provide additional support to the board, and an M&A sub-committee was delegated authority to oversee the completion of the acquisition of YoBingo.

The executive directors conduct the Company's business within clearly defined limits delegated by the board and subject to those matters reserved to the board.

#### *Board and committee meetings*

Board meetings allow for regular and frank discussion of strategy, trading, financial performance, regulatory affairs, responsible gambling and risk management. During the period under review, the board's committees also met regularly to discharge their duties. In exceptional circumstances when a director is unable to attend a meeting, his or her comments on briefing papers are given in advance to the relevant chairman.

#### *Insurance and indemnity*

The Company has arranged insurance cover and indemnifies directors in respect of legal action against them to the extent permitted by law. Neither the insurance nor the indemnity applies in situations where a director has acted fraudulently or dishonestly.

#### *Conflicts of interest*

The directors have a statutory duty to avoid conflicts of interest. In accordance with the Company's articles of association, it has adopted a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest.

Directors are required to disclose any new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed. The board also assesses conflicts of interest before making any new appointments.

## BOARD AND COMMITTEE MEETING ATTENDANCE

The directors' attendance at formally scheduled board and committee meetings during the year is recorded in the table below. It shows the number of formally scheduled board and committee meetings attended by each director against the number of such meetings that director was eligible to attend.

NAME	FULL BOARD	AUDIT COMMITTEE	NOMINATIONS COMMITTEE	FINANCE COMMITTEE	REMUNERATION COMMITTEE	RESPONSIBLE GAMBLING COMMITTEE
Chris Bell	8/8	4/4	2/2	N/A	0/0	3/3
Henry Birch <sup>1</sup>	7/7	N/A	N/A	7/7	N/A	3/3
Ian Burke	8/8	N/A	2/2	8/8	N/A	3/3
Steven Esom	8/8	4/4	2/2	N/A	4/4	N/A
Susan Hooper	8/8	N/A	2/2	N/A	3/4	3/3
Clive Jennings	8/8	N/A	N/A	8/8	N/A	N/A
Lord Kilmorey	7/8	N/A	1/2	N/A	N/A	3/3
Alan Morgan <sup>2</sup>	1/1	N/A	N/A	N/A	N/A	N/A
Owen O'Donnell <sup>3</sup>	3/3	1/1	0/0	N/A	1/1	N/A
John O'Reilly <sup>4</sup>	1/1	N/A	N/A	1/1	N/A	0/0
Alex Thursby <sup>5</sup>	8/8	4/4	2/2	N/A	4/4	N/A

1. Henry Birch resigned from the board on 7 May 2018.

2. Alan Morgan joined the board on 7 May 2018.

3. Owen O'Donnell resigned from the board on 19 October 2017 choosing not to stand for re-election at the 2017 AGM.

4. John O'Reilly joined the board on 7 May 2018.

5. Alex Thursby joined the board on 1 August 2017.

**CORPORATE GOVERNANCE** CONTINUED*Division of responsibilities*

There is a clear division of responsibilities between the chairman and chief executive.

*Chairman*

The chairman is charged to:

- manage the business of the board, preside over meetings and seek prompt and appropriate decisions;
- work with the company secretary to ensure directors receive accurate and clear information for the proper execution of their duties;
- oversee effective communication with shareholders;
- keep the Group's progress and development under review;
- ensure the chief executive's Group objectives, policies and strategies are consistent with lasting shareholder value;
- evaluate the board and its committees; and
- ensure the Group's governance is effective and in line with best practice.

*Chief executive*

The chief executive's role is to:

- manage and promote the Group's long-term profitable development;
- exercise stewardship of intellectual property, human and financial resources and ensure that the relevant policies are implemented;
- plan strategy and prepare objectives and policies for board approval;
- ensure action is taken to achieve strategies, objectives and policies, as approved by the board;
- ensure objectives, policies and strategies are adopted for each Group business, that appropriate budgets are set for them individually, that their performance is monitored, and that guidance is given when needed;
- take responsibility for Group health and safety policies;
- make sure the Group complies with all relevant legislation; and
- lead ongoing communication with employees.

*Non-executive directors*

The directors are satisfied that there are proper procedures in place to ensure that:

- they are receiving accurate and clear information for the proper execution of their duties;
- the Group's objectives, policies and strategies are consistent with enhancing shareholder value;
- they are able to keep the Group's progress and development under review;
- they have an opportunity to challenge constructively, and help develop, proposals on strategy;
- there are effective communications with all shareholders; and
- the Group's governance is effective.

*Senior independent director*

During the year, the senior independent director, Chris Bell, met with the other non-executive directors and reviewed the chairman's performance without him being present. The senior independent director has been throughout the year, and remains, available to talk with shareholders who have questions or concerns.

## EFFECTIVENESS

### *The composition of the board*

#### *Size and structure*

The nominations committee keeps the board's size and structure under review. The nominations committee is of the view that the board is well balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill. We believe that all our directors are suitably qualified to help steer and challenge Group strategy. Further details of the changes to the board during the year under review can be found on page 70.

More than half of our board excluding the chairman are independent.

NAME	INDEPENDENT	APPOINTED
<b>Chairman</b>		
Ian Burke*	N/A	MARCH 2006
<b>Executive</b>		
John O'Reilly	NO	MAY 2018
Clive Jennings	NO	JULY 2011
Alan Morgan	NO	MAY 2018
<b>Non-executive</b>		
Chris Bell	YES	JUNE 2015
Steven Esom	YES	MARCH 2016
Susan Hooper	YES	SEPTEMBER 2015
Lord Kilmorey	YES	MAY 2012
Alex Thursby	YES	AUGUST 2017

\* Ian Burke was originally appointed to the board on 6 March 2006. He resigned from the board on 28 June 2011 and was reappointed on 3 July 2011. On 15 July 2011 he became executive chairman. On 6 May 2014 he resigned his role as chief executive and became non-executive chairman with effect from that date.

#### *Committees*

The composition and chairmanship of our board committees are considered annually and have been considered during the period under review.

#### *Commitment*

The principal terms and conditions of appointment for each director are set out on page 86, and their interests in Rank shares are detailed on page 92. All non-executive directors are required to disclose their other significant commitments, both before appointment and following subsequent changes, so that the board can satisfy itself that each of the directors has sufficient time to allocate to the Company to discharge their responsibilities effectively. Executive Directors are not permitted to take up non-executive directorships outside the Group.

During the year, Chris Bell was appointed as a non-executive director of OnTheMarket plc and Gaming Realms plc and Susan Hooper was appointed as a non-executive director of Uber Britannia Limited and Uber London Limited.

#### *Development*

##### *Induction*

All new Board members receive an induction, led by the company secretary. During the year, the directors received information and training (amongst other things) on the following:

- regulatory developments to the UK Listing Rules, Modern Slavery Act 2015, Market Abuse Regulation (MAR) and corporate governance;
- gender pay reporting;
- payment practices reporting;
- diversity; and
- Shareholder Rights Directive.

##### *Skills and knowledge*

All directors are given regular written briefings with regard to matters affecting the Group's businesses, such as the political and regulatory environment and corporate governance reform. Additionally, at the board's request, the Group's auditor keeps the board abreast of key impact items such as political and regulatory initiatives with regard to narrative reporting, executive remuneration, going concern and the role of the audit committee.

Directors are invited to identify to the company secretary or human resources director any desired skills and knowledge enhancements that they require so that appropriate training can be arranged.

Additionally, once a year, the directors have an opportunity to review and agree their respective training and development needs during their one-on-one meetings with the chairman.

##### *Information and support*

Assisted by the company secretary, the chairman is responsible for ensuring that directors receive accurate and timely information on all relevant matters.

The directors receive a monthly report of current and forecast trading results and treasury positions.

A rolling programme of items sets the agenda for board discussion. This is regularly reviewed and updated to cover topical issues and developments.

Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, thus freeing time for informed debate.

We operate an open-door policy between the board and the management team. Members of the management team also make regular board presentations to ensure a flow of operational information reaches the directors in a timely way.

All directors have access to the advice and services of the company secretary and, if required, may take independent advice and/or professional development at the Company's expense. The existing company secretary, Frances Bingham, took a six-month sabbatical from the Company, commencing 1 May 2018, and Luisa Wright has been appointed to serve as interim company secretary during this period.

**CORPORATE GOVERNANCE** CONTINUED*Evaluation and effectiveness*

The board notes the requirement under the Code for an independent external review of its effectiveness, and that of its committees, every three years. In respect of the year under review, it noted the recent changes and proposed changes to its composition, namely the appointments of John O'Reilly and Alan Morgan to the board and the announcement that Lord Kilmorey would not be standing for re-election at the 2018 AGM. The Company has also since announced that Clive Jennings will be stepping down from the board on 17 August 2018. It also noted other recent changes to internal personnel, including the appointment of a new head of internal audit. Further to this, the board concluded that in order to obtain the most valuable feedback from such a review, its members should be able reflect on its effectiveness, and that of its committees, under its new composition. With this in mind, the board determined to conduct such external review in the first half of the 2018/19 financial year.

The board discussed its own effectiveness and that of the committees during the year under review and concluded that, overall, it had functioned effectively during this period, and that the committees continued to discharge their duties in line with their respective terms of reference.

Individual private meetings were held between the chairman and the board members at which feedback was given on individual performance. Following a private meeting of the non-executive directors, a private meeting took place between the senior independent director and the chairman, at which feedback was given on the performance of the chairman.

The committees considered the work undertaken to implement the findings of the previous year's evaluation, noting that the following actions were ongoing:

- in respect of the nominations committee, implementation of a plan to achieve diversity targets for the board, the executive committee and the executive committee's direct reports;
- in respect of the remuneration committee, implementation of a process for aligning pay and conditions when acquisitions have been made; and
- in respect of the responsible gambling committee, redefining its purpose and goals and reviewing its terms of reference.

**ELECTION AND RE-ELECTION**

The Company notes that all new directors must stand for election at the first annual general meeting after their appointment and, thereafter, at intervals of no more than three years. This therefore applies in respect of John O'Reilly and Alan Morgan. Non-executive directors are engaged for an initial period of three years and must stand for election and re-election in the same way. However, in any event, the Company complies with the Code's requirement for annual re-election of directors of FTSE 350 companies and the Company's articles of association require all serving directors to retire annually.

Further to the above, all directors will be submitting themselves for re-election at the forthcoming annual general meeting, save that, having served over six years on the board, as announced on 27 June 2018, Lord Kilmorey will not be standing for re-election.

**RELATIONS WITH SHAREHOLDERS***Dialogue with shareholders*

The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place. The principal method of communicating with all shareholders is via the corporate website, [www.rank.com](http://www.rank.com). Information can be provided in paper format, but only when shareholders specifically request it.

As at 30 June 2018, 56.16% of Rank's shares were held by a majority shareholder, Hong Leong, and a further 38.62% were held by 20 institutional shareholders.

Given that Rank is a 56.16% subsidiary of Guoco, the chief executive and other members of Rank's executive management team meet with representatives of Guoco four times a year to discuss business performance and other issues that could impact their financial statements.

During the year, directors receive updates on shareholder opinion. The Company liaises with its institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders conducted by our chief executive, finance director and director of investor relations and communications. During the period under review, a total of 56 meetings with such shareholders were attended by one or more of the chief executive, the finance director and the chairman.

Formal briefings on shareholder opinion are circulated to the board after presentation of the Company's interim and annual results.

*Constructive use of the annual general meeting*

All shareholders are welcome to attend our annual general meeting. Private investors are encouraged to ask questions. The chairman and chairmen of the audit and remuneration committees are all present.

Shareholders are invited to vote on the formal resolutions contained in the notice of meeting, which is published at least 20 working days beforehand. The business presentation, voting results and a summary of the questions and answers are made available at [www.rank.com](http://www.rank.com), or in printed format on request.

Shareholders may also use electronic means to vote or appoint a proxy to vote on their behalf at the annual and other general meetings of the Company.

*Next annual general meeting*

The 2018 annual general meeting will be held on 18 October 2018 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at: [www.rank.com/en/investors/shareholder-centre/shareholder-meetings.html](http://www.rank.com/en/investors/shareholder-centre/shareholder-meetings.html).

If a shareholder has elected for paper information, this will be enclosed with their hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar, details of which can be found on page 155 and on our website at [www.rank.com/en/investors/shareholder-centre/contacts.html](http://www.rank.com/en/investors/shareholder-centre/contacts.html).

**AUDIT COMMITTEE**

# AUDIT COMMITTEE

**OTHER  
COMMITTEE  
MEMBERS**

Chris Bell,  
Steven Esom

**ALEX THURSBY**

Chairman<sup>1</sup>

**OVERVIEW****ROLE OF AUDIT COMMITTEE**

The role of the audit committee (the 'Committee') is primarily to support the board in fulfilling its corporate governance obligations so far as they relate to the Group's financial reporting, internal controls and risk management systems. This report provides insight into the workings and activities of the Committee during the 2017/18 financial year. It sets out the composition and responsibilities of the Committee. It also outlines how, during the year under review, the Committee provided oversight of the adequacy and effectiveness of such reporting, controls and systems, the considerations it gave to matters of financial risk and control and the key accounting judgements it reached.

**COMPOSITION AND MEETINGS**

Each member of the Committee is an independent non-executive director with a wide range of relevant business experience, particularly in the gaming and wider leisure sectors. Alex Thursby has extensive banking industry experience and is considered by the board to have recent and relevant financial experience as required by the Code. Further information regarding directors' skills and experience can be found in their biographies on pages 54-55.

The Committee follows a rolling agenda for discussions that take place at each Committee meeting. It also discusses such other relevant topics as agreed by the Committee chair. The Committee met on four formally scheduled occasions during the period under review, with attendance as follows:

NAME	COMMITTEE MEMBERSHIP SINCE	ATTENDANCE/ ELIGIBILITY TO ATTEND
Chris Bell	JUN 15	4/4
Steven Esom	MAR 16	4/4
Alex Thursby	AUG 17, BECOMING CHAIR ON 19 OCT 17	4/4
Owen O'Donnell <sup>2</sup>	SEPT 08 TO OCT 17, STEPPING DOWN AS CHAIR ON 19 OCT 17	1/1

2. Owen O'Donnell stood down as the Committee chair and as a member of the Committee following the conclusion of the 2017 annual general meeting.

At the invitation of the Committee chairman, the chief executive, finance director, company secretary, head of reporting and director of internal audit normally attend Committee meetings, as does the external auditor. Other board directors and senior executives also attend as required.

Members of the Committee met separately during the year under review to discuss matters without the presence of management. Each of the external auditor and the internal auditor was also provided the opportunity to discuss any issues with the Committee without the presence of executive management.

1. Chairman since 19 October 2017. Owen O'Donnell was chairman prior to that date.

**AUDIT COMMITTEE** CONTINUED**RESPONSIBILITIES**

The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities, which include the following:

- assessing the integrity of all public financial statements;
- approving the activities of the internal audit function;
- managing the relationship with the external auditor;
- reviewing and assessing the risk and internal control systems; and
- overseeing the Company's internal code of conduct and monitoring the Company's whistleblowing procedures.

The Committee's terms of reference are available from the Company's website at:

[www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html), or by writing to the company secretary.

Whilst the external assessment of the Committee's performance during the year has been postponed (see page 62), the board's view is that the Committee has performed effectively during the 2017/18 financial year.

**RISK AND INTERNAL CONTROLS FRAMEWORK****RISK MANAGEMENT FRAMEWORK**

The Committee holds responsibility for assessing the ongoing effectiveness of the risk management framework and processes, and for undertaking an independent review of the risk mitigation plans which have been designed for material risks. In connection with this, the Committee regularly reviews the Group's corporate risk register, its principal risks, and the controls and risk-mitigation actions put in place to manage them. Employees from various departments are invited to attend as required. During the year under review, the Committee requested a full review and refresh of the Group's risk management framework (including a review of the effectiveness of its first, second and third lines of defence), which is ongoing.

Whilst overall responsibility remains with the board and the Committee, a key part of oversight of the risk management process is executed through the Group's risk committee, which provides a second line of defence for the business with a view to ensuring that management is effective in identifying and managing risks as they arise. The risk committee reports to the board. It comprises the chief executive, finance director, company secretary, chief information officer and director of internal audit. Its composition and remit is currently being reviewed as part of the overall review of the Group's risk management framework as referred to above.

**INTERNAL CONTROL FRAMEWORK**

Rank's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable, not absolute, assurance against material misstatement or loss. To maintain control and direction over strategic, financial, operational and compliance issues, the board has put in place formally defined lines of responsibility and delegation of authority. Established procedures are geared to identifying, evaluating and managing significant risks and to monitoring the Group's businesses and performance. Senior management is responsible for making sure that controls and procedures are enforced.

This framework is reviewed annually. The following specific controls exist within such framework:

**Financial control:** there is a comprehensive system for reporting financial results to the board, a budgeting process incorporating an approved budget and biannual re-forecasts. The chief executive and finance director hold monthly review meetings with the managing directors and their respective directors of finance.

**Financial reporting control:** detailed policies and procedures are in place to ensure the accuracy and reliability of financial reporting.

**Strategic control:** the board reviews the Group's strategic plans annually and regularly reviews strategic progress.

**Operational control:** procedures are laid down in detailed manuals and reinforced by employee training. Each business unit carries out a monthly self-audit to test key controls and report weaknesses to operational management.

**Compliance control:** across the Group we have teams whose responsibility it is to ensure day-to-day adherence to all legislation to which our operations are subject, including gambling, anti-money-laundering and health and safety. Senior executives and the internal audit team are responsible for monitoring overall compliance. They report to the Committee and the board.

**Other:** the executive directors and senior management meet regularly with representatives from the businesses to address financial, human resource, risk management and other control issues.

At its meetings during the year and up to the date of approval of this annual report and financial statements, the Committee examined the effectiveness of the Group's approach to internal control by reviewing changes to controls made during the year and reviewing the adequacy and progress of action plans to address failings or weaknesses identified in the Group's system of internal control. This process has been reviewed by the board and meets the standards of the Financial Reporting Council's internal control guidance to directors.

**CODE OF CONDUCT AND WHISTLEBLOWING**

Rank considers it important to maintain a culture of openness, honesty and opposition to fraud, corruption and unethical business conduct. Further to this, Rank has an employee code of conduct that sets out our values and principles and guides behaviour. Rank also has a fraud and unethical business conduct whistleblowing policy which sets out the ways in which employees can voice their concerns about suspected fraud, corruption or unethical business conduct on an anonymous basis.

The Committee is responsible for monitoring management reports on employee conduct, including our whistleblowing procedures. It also reviews management's biannual reports on anti-money-laundering, internal and external fraud and inadvertent breaches of legislation.

**INTERNAL AUDIT**

The Committee has responsibility for the internal audit function and the director of internal audit reports directly to the chairman of the Committee. Amongst other things, the Committee considers the independence of such team, its strategic focus, plans and activities.

The internal audit team seeks to determine whether the system of risk management, control and governance processes, as designed and operated by management, is adequate and functioning in such a manner as to ensure that:

- risks are appropriately identified and managed in line with the Company's risk appetite;
- operations are run with sufficient and adequate controls and in an efficient and effective manner;
- significant financial, managerial and operating information is accurate, reliable and timely;
- employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and
- relevant laws, rules and regulations are complied with in the operation of the business.

The director of internal audit provides regular reports on behalf of the team to the Committee and reporting includes comparables, trend analysis and exceptions. Findings from the internal audit team's reports are developed into action plans, the most significant of which are then monitored by the Committee.

#### **EXTERNAL AUDITOR AND EFFECTIVENESS OF EXTERNAL AUDIT PROCESS**

Rank's auditor is employed to express an opinion on the financial statements. It reviews the systems of internal financial control and the data contained in the financial statements to the extent necessary to express its opinion. It discusses with management the reporting of operational results and the financial position of the Group, and presents findings to the Committee. The directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditor and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditor. Ernst & Young LLP's audit report is published on page 102 to 109.

In order to assess the effectiveness and independence of the external auditors, the Committee carried out an assessment. This was facilitated by use of a questionnaire which posed questions in relation to different aspects of the external audit process. Those individuals employed by Rank most actively involved with the day-to-day aspects of the audit provided responses to certain questions asked. The feedback was considered, discussed and summarised by management and reported to the Committee and board.

Having conducted such review, and reviewed overall performance, the Company has concluded that Ernst & Young LLP has demonstrated appropriate qualifications and expertise throughout the period under review, and that the audit process was effective. Further to this, it recommends its reappointment for 2018/19. Ernst & Young LLP has confirmed that it is willing to continue in office and a resolution that it be reappointed at a remuneration to be agreed by the Committee will be proposed at the forthcoming annual general meeting.

#### **AUDIT TENDERING**

The Committee has noted the requirements regarding audit tender and rotation of the audit engagement partner. The Company's external audit was most recently tendered during 2009, resulting in a change of external auditors and the appointment of Ernst & Young LLP at the Company's annual general meeting on 22 April 2010. There was a change of external audit partner following completion of the 31 December 2015 interim review. The Committee has given consideration to the timing for the next formal tender and has determined that it will be undertaken during the 2018/19 financial year. There are no contractual obligations that restrict the choice of external auditors.

#### **NON-AUDIT WORK**

The Committee oversees the nature and amount of any non-audit work undertaken by the auditor to ensure that it remains independent. Consequently, the Committee is required to approve in advance all non-audit services priced above £25,000.

When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in relation to the matter concerned and being efficient.

Details of the fees paid to Ernst & Young LLP during the period under review can be found in note 3. Rank is satisfied that the objectivity and independence of the audit partner and the audit engagement team have not been compromised by the fees paid for the non-audit work undertaken by Ernst & Young LLP. Rank has used the services of other accounting firms for non-audit work during the period under review.

**AUDIT COMMITTEE** CONTINUED**2017/18 ACTIVITY**

The main items that the Committee discussed during the year under review are listed below.

*Assessing the integrity of all public financial statements:*

- reviewing the 2017 annual report and financial statements and half-year results, ensuring that a fair, balanced and understandable assessment of the Group's ongoing position and prospects is presented;
- reviewing the viability and going concern statements (further detail on Rank's approach to its viability statement can be found on page 43);
- considering the impact of the IFRS 16 leasing standard;

*Approving the activities of the internal audit function:*

- reviewing the effectiveness of the internal audit function;
- approving the scope of audit coverage;
- agreeing the annual audit plan;
- reviewing major audit findings and approving remediation plans;
- appointing the new director of internal audit;

*Managing the relationship with the external auditor:*

- considering the views of the external auditor;
- reviewing the objectivity, independence and effectiveness of the external auditor;
- reviewing audit and non-audit fees;

*Reviewing and assessing the risk and internal control systems:*

- reviewing the overall approach taken to the management of risk across the Group and the internal governance structure (further detail on Rank's approach to the management of risk, its principal risks and uncertainties and the controls in place to mitigate them can be found on page 44);
- monitoring developments in relation to information security and data protection, including compliance with the GDPR across the Group;
- reviewing compliance with laws and regulations, including anti-money-laundering matters;
- overseeing the implementation of changes to internal processes as a result of matters reported as key events to regulatory bodies and guidance published by regulatory bodies as learnings for the gaming industry;
- monitoring ERP system migration to Dynamics 365;

*Overseeing the Company's internal code of conduct and whistleblowing procedures:*

- reviewing notifications made under the Group's speaking up (whistleblowing) and ethical code of conduct; and
- ensuring appropriate actions are taken following investigation of notifications.

**VIABILITY STATEMENT**

Reviewing the long-term viability of the Group is a key focus area for the Committee. The business operates in a fast-moving consumer environment with changes to the regulatory, taxation and competitive environment on a regular basis.

In light of this and the Group's strategic plan, the selection of a three-year period for reviewing viability is felt appropriate.

The Committee considers both financial and non-financial risks that may threaten the business model, future performance, liquidity and solvency of the Group and has identified the following principal risks:

- a significant decline in retail revenue driven by a loss of relevance to our existing customers combined with a failure to attract new customers;
- adverse changes to rates of tax;
- adverse regulation;
- adverse gaming win;
- breaches of regulation;
- loss of licences; and
- technological risks (including cyber security).

The impact of these risks in isolation or in combination could have an adverse impact on the financial position of the Group pre-mitigation. Therefore, the Committee also considered the actions that can be taken to mitigate the risks and protect the viability of the Group. These actions include:

- implementing significant cost reduction programmes;
- reducing the level of capital expenditure;
- reducing the level of dividend paid to shareholders; and
- seeking additional sources of finance.

Following a detailed examination of the risks, the likelihood of their occurrence and potential mitigations, the Committee has concluded there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

Please see page 43 for the Company's viability statement in line with section C.2.2 of the UK Corporate Governance Code.

**SIGNIFICANT ACCOUNTING ISSUES**

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. Significant accounting issues considered by the Committee during the year included:

- treatment of exceptional items;
- impairment review of intangible assets and property, plant and equipment;
- review of provisions, including those in relation to property leases, regulatory and tax matters;
- review of the costs recognised as part of the Group restructuring undertaken;
- review of proposed accounting following notice to convert a loan note;
- review of the fair values of intangible assets and contingent consideration recognised on the acquisition of YoBingo;
- estimated financial impact of new accounting standards, notably IFRS 16; and
- accounting treatment for potential contingent assets and liabilities.

## KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS

The key accounting judgements considered and conclusions reached by the Committee during the year under review were:

### KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS 2017/18

### AUDIT COMMITTEE REVIEW AND CONCLUSIONS

#### Treatment of exceptional items

Only items that are exceptional due to size or nature should be disclosed as an exceptional item by the Group.

The Committee reviewed the accounting treatment of exceptional items and members were in agreement that the items listed in note 4 are exceptional in size or nature in relation to the Group and therefore it is appropriate to disclose these separately.

#### Impairment review

For goodwill and indefinite-life assets, the Group performs an annual impairment review. In addition, the Group reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate that the carrying amount of an asset or cash-generating unit may not be recoverable. If an asset has previously been impaired the Group considers whether there has been a change in circumstances or event that may indicate the impairment is no longer required. The Group considers each venue to be a cash-generating unit and therefore the review covers in excess of 149 individual cash-generating units.

The Committee reviewed management's impairment review process including, where applicable, the potential indicators of impairment and/or reversal, cash flow projections and discount rates used to derive a value in use, and the sensitivity to assumptions made. During the year, the Committee reviewed total exceptional impairment charges of £13.9m in respect of venues where performance has been below expectations and is not expected to improve. The Committee also considered the exceptional reversal of £1.8m at one venue due to a change in the local indirect tax rate and improvements in the local economic environment.

The Committee was of the view that the net impairment charge recognised of £12.1m was appropriate. Further details of the impairment charges and reversals are disclosed in note 4.

Please see page 126 for further detail.

#### Significant provisions for property leases

The nature of provisions is that they require judgement due to uncertainty regarding their timing and amount. The Group holds several large provisions for onerous property leases.

In assessing the appropriate liability, the Group must estimate cash flows associated with the property. This may include consideration of the forecast profitability of a club which still operates at the site, potential sub-let income and estimates of any dilapidation obligations.

At both the half and the full year, the Committee considered the Group's approach to property lease provisions, the discount rates applied and management's recommendations, in order to satisfy itself how management came to its best estimate of onerous property lease obligations.

The Committee noted that the Group has a number of property leasehold contracts and was of the view that appropriate provision had been made against those property leases where the unavoidable costs exceed the economic benefit expected to be derived from the property. During the year, the Committee reviewed the exceptional net charge from property leases of £9.1m, the majority of which was due to recurring losses at two clubs which are not expected to significantly improve and an agreement to sub-let a vacant property which did not complete due to a potential tenant deciding not to proceed despite advanced negotiation.

The Committee was of the view that the net charge was appropriate. Further details of the property lease provisions held are disclosed in note 21 and the net exceptional charge made in the current year are disclosed in note 4.

**AUDIT COMMITTEE** CONTINUED**KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS 2017/18****AUDIT COMMITTEE REVIEW AND CONCLUSIONS****Significant tax provisions**

The Group holds several large provisions for indirect tax issues and claims, in addition to the normal provisions for corporation tax. In assessing the appropriate indirect tax provisions, the Group must estimate the likely outcome of uncertain tax positions where the tax judgement is subject to interpretation and remains to be agreed with the relevant tax authority.

At both the half and the full year, the Committee considered the Group's approach to indirect tax provisioning, in order to satisfy itself how management came to its best estimate of the likely outcome. The Committee also receives and considers an update paper covering the Group's ongoing direct and indirect tax issues. This covers both discontinued operations with historic tax audits and continuing operations where tax returns submitted have been, or are likely to be, challenged by the relevant tax authority. The Committee was of the view that management's best estimate of the liability for the issues that remained outstanding was appropriate.

**Convertible loan note**

During the year, the Group gave notice to convert a £3.5m convertible loan note provided to a supplier. As a result, the Group considered the fair value of the consideration provided for the investment as well as whether the new investment gave 'significant influence' in which case the entity would become an associate.

The Committee considered management's paper in respect of conversion of the loan note. It was noted that the estimation of fair value remains uncertain but, based on the information presented by management, the Committee was satisfied that it is reasonable to recognise the investment at an amount equivalent to the initial loan value. Consideration was also given as to whether the investment represented an investment in associate under IAS 28. Whilst there was evidence for and against, the Committee agreed with management that there would not be significant influence over the supplier and therefore the investment did not represent an investment in associate. Further details can be found in note 13.

**Fair values of acquired intangible assets and contingent consideration recognised on acquisition of QSB Gaming Limited ('YoBingo')**

The Group is required to estimate the fair value of acquired assets arising from business combinations as well as the fair value of contingent consideration payable in the future.

The Committee reviewed the approach to estimating the fair value of acquired assets and contingent consideration payable. It was noted that the valuation methods and models used to determine fair value required an assessment of a number of judgements and estimates, including future performance of a relatively immature business operating in a high-growth market. As a result, the fair values derived were inherently volatile to small changes in assumptions. It was concluded that management's judgements and estimates were reasonable and therefore it was appropriate to recognise acquired intangible assets of £14.9m and contingent consideration of £23.4m. Further details can be found in note 32.

**KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS 2017/18****AUDIT COMMITTEE REVIEW AND CONCLUSIONS****Financial impact of new accounting standards**

New accounting standards can materially impact trading results.

The Committee considered the impact of new accounting standards. It was noted there were no significant changes which impacted results in the current year.

Except for IFRS 16 (which will apply to the Group from 1 July 2019), it is not expected that any new accounting standards will materially impact future results.

**Contingent assets and liabilities**

In determining the accounting treatment of potential assets and liabilities, management has applied judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The Committee received updates throughout the year from management, incorporating legal and professional advice as appropriate, on the accounting treatment for potential assets and liabilities in relation to disclosure or recognition. The Committee was of the view that management has appropriately treated such items in the financial statements. Details of the liabilities are included in note 30.

**ALEX THURSBY****Chairman of the Audit Committee***15 August 2018*

**NOMINATIONS COMMITTEE**

# NOMINATIONS

## COMMITTEE

**OTHER  
COMMITTEE  
MEMBERS**

Chris Bell,  
Steven Esom,  
Susan Hooper,  
Lord Kilmorey and  
Alex Thursby.



**IAN BURKE**  
Chairman

### INTRODUCTION

The nominations committee (the ‘Committee’) comprises the chairman and all the independent non-executive directors.

The Committee is responsible for identifying relevant talent and nominating all board appointments with due regard for the benefits of diversity on the board, including gender and ethnicity.

### 2017/18 ACTIVITY

During the year under review the Committee met on two formally scheduled occasions.

The main issues which the Committee discussed during the year under review were:

- appointment of chief executive officer;
- appointment of managing director, retail as executive director;
- board and senior management diversity;
- governance;
- chairman succession planning;
- review of committee terms of reference;
- review of board skills and board tenure; and
- board and committee composition.

### APPOINTMENT OF CHIEF EXECUTIVE OFFICER

John O'Reilly was appointed to the board as chief executive officer with effect from 7 May 2018.

A sub-committee of the board comprising the chairman, senior independent director and Susan Hooper was formed to conduct the search process, assisted by external agency Spencer Stuart. The sub-committee reviewed a longlist of candidates and interviewed a shortlist of five people. The sub-committee agreed to put forward from that shortlist those candidates whom it felt best met the selection criteria to meet the Committee. All other non-executive directors also then met those candidates and provided their feedback. Following a meeting of the Committee, Mr O'Reilly was recommended to the board for appointment.

At its meeting on 25 April 2018 the board unanimously resolved to appoint Mr O'Reilly as chief executive officer. Details of Mr O'Reilly's experience and current and former roles can be found on page 54.

### APPOINTMENT OF MANAGING DIRECTOR, RETAIL AS EXECUTIVE DIRECTOR

On 25 April 2018, the Committee agreed to recommend to the board that Alan Morgan, managing director, retail, be appointed to the board as an executive director. Alan has an in-depth understanding of our venues business and the Committee was of the view that he will contribute significantly to the future development of Rank. At its meeting, also held on 25 April 2018, the board unanimously resolved to appoint Mr Morgan as an executive director. Details of Mr Morgan's experience and current and former roles can be found on page 55.

## SUCCESSOR TO FINANCE DIRECTOR

Further to the announcement that Clive Jennings, finance director, will be leaving the business on 17 August 2018, the Company confirms that it has commenced its search for a successor. A sub-committee of the board comprising the chairman and the chief executive has been formed to conduct the search process. It will be assisted by an external agency. In the mean time, the board has approved the appointment of James Pizey, head of reporting, as interim chief financial officer.

## BOARD AND SENIOR MANAGEMENT DIVERSITY

During the period under review the Committee has considered the issue of diversity and inclusion in the context of both the board and senior management, and is mindful of the benefits that diversity brings.

On 29 March 2018, and in accordance with the requirements of the Equality Act 2010, the Company published its gender pay gap figures for the UK group as at 5 April 2017, further detail of which can be found at <http://www.rank.com/en/responsibility.html>. This included the four legal entities where the Group employs more than 250 people in the UK.

The board's own diversity and inclusion policy is to recruit the best candidate having regard to the skills and experience required, but with a mind to diversity, including gender and ethnic diversity. The board continues to aim to achieve 33% female representation on the Company's board and 33% women on the Company's executive committee and of direct reports to the executive committee by 2020. Additionally, the board continues to aim to have at least one BAME director by 2024 as recommended by the Parker Report.

Further details of the gender breakdown of directors, senior management and the Group can be found on page 31 of this report.

## GOVERNANCE

During the year, the Committee received briefings on corporate governance reform, and specifically the proposed changes to the Code, from the company secretary. It notes, in particular, the proposals in respect of workforce engagement, board composition and diversity.

## CHAIRMAN SUCCESSION PLANNING

Led by the senior independent director, the Committee has continued to discuss chairman succession planning. However, following the appointment of a new chief executive officer with effect from 7 May 2018, it was decided that further discussion would be postponed until the next financial year.

## COMMITTEE TERMS OF REFERENCE

During the year, the Committee reviewed its terms of reference and proposed to the board that its remit be expanded to include reviewing the structure, size and composition (including the skills, knowledge, experience, diversity and ethnicity) of the executive committee, as well as the board itself. This proposal was approved by the board and the terms of reference amended accordingly. The formal terms of reference of the Committee are available on our website at [www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html), or by written request to the company secretary.

## BOARD AND COMMITTEE COMPOSITION, BOARD TENURE AND REVIEW OF BOARD SKILLS

The Committee keeps the board's size and structure under review. The Committee is of the view that the board is well balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skills. The Committee retains this view, notwithstanding that Lord Kilmorey will not be submitting himself for re-election at the forthcoming AGM, and there is no intention to appoint a replacement at this time. The Committee believes that all the directors are suitably qualified to help steer and challenge Group strategy.

The composition and chairmanship of our board committees are considered annually and have been considered during the period under review. Additionally, details of skills and length of tenure can be found on page 72.

**NOMINATIONS COMMITTEE** CONTINUED**ATTENDANCE AT FORMALLY SCHEDULED COMMITTEE MEETINGS**

NAME	COMMITTEE MEMBER SINCE	ATTENDANCE/ELIGIBILITY TO ATTEND	NOTES
Chris Bell	JUL 15	2/2	
Ian Burke	JUN 14	2/2	Ian Burke has been Committee chairman since 25 June 2014
Steven Esom	MAR 16	2/2	
Susan Hooper	SEP 15	2/2	
Lord Kilmorey	FEB 14	1/2	Lord Kilmorey will step down from the Committee on 18 October 2018
Owen O'Donnell	FEB 14	0/0	Owen O'Donnell stood down from the Committee on 11 September 2017
Alex Thursby	AUG 17	2/2	Alex Thursby joined the Committee on 1 August 2017

The charts below illustrate the diversity, skills, experience and tenure of the board as at 30 June 2018.

**GENDER**

## NON-EXECUTIVE DIRECTORS



## EXECUTIVE DIRECTORS



● MALE      ● FEMALE

**AGE OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS**

## 40-49 YEARS



## 50-59 YEARS



## 60+ YEARS

**SKILLS AND EXPERIENCE OF NON-EXECUTIVE DIRECTORS**

## STOCK EXCHANGE LISTED COMPANY



## PEOPLE/REMUNERATION



## GOVERNMENT RELATIONS



## DIGITAL MEDIA/SOCIAL MEDIA



## MARKETING/BRANDS



## INTERNATIONAL



## MOBILE (ANY BUSINESS)



## FINANCE/ACCOUNTING



## GAMBLING (RETAIL OR REMOTE)



## BROADER LEISURE



## ONLINE (ANY BUSINESS)

**TENURE OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS**

## &gt; 1-3 YEARS



## &gt; 3-6 YEARS



## &gt; 6-9 YEARS



## RESPONSIBLE GAMBLING COMMITTEE

# RESPONSIBLE GAMBLING COMMITTEE

## OTHER COMMITTEE MEMBERS

Chris Bell,  
Ian Burke,  
Susan Hooper and  
John O'Reilly



**LORD KILMOREY**  
Chairman

**ROLE AND RESPONSIBILITIES**

The responsible gambling committee (the 'Committee') assists in the formulation and monitoring of the Group's responsible gambling strategy, and enables particular focus to be placed on this important topic.

The Committee reports to the Rank board, which retains principal oversight of matters relating to gambling-related harm reduction and gambling regulation. Matters arising can be referred directly to the board and/or the audit committee as appropriate, the latter of which retains principal responsibility for monitoring the overall effectiveness of Rank's internal controls.

The Committee's responsibilities include:

- reviewing and making recommendations on Rank's strategy and policy in relation to gambling regulation and the prevention of gambling-related harm;
- keeping under review Rank's policies and systems designed to protect children and other vulnerable persons from being harmed or exploited by gambling;
- keeping under review the effectiveness of Rank's systems for identifying and interacting with customers who are at risk of becoming problem gamblers, including ensuring that customers have access to help should they develop gambling problems;
- reviewing and making recommendations in relation to the resources available within, and to, Rank to ensure that vulnerable or potentially vulnerable persons are identified, monitored and, where appropriate, promptly denied access to Rank's facilities for gambling; and
- reviewing the content of Rank's Annual Assurance Statement to the UK Gambling Commission, prior to its submission to the Rank board for approval.

The formal terms of reference of the Committee are available at [www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html) or by written request to the company secretary.

**2017/18 ACTIVITIES**

During the year under review, the Committee met on three formally scheduled occasions. Its activities included:

- reviewing and agreeing the Group's responsible gambling plan, and tracking activity against such plan;
- reviewing and advising on the draft content in respect of responsible gambling and social responsibility that formed part of the Group's response to the UK Gambling Commission's Annual Assurance Statement;
- considering the introduction of the national online self-exclusion scheme, GAMSTOP, alongside the Company's own approach to self-exclusion; and
- examining learnings from, and the measures adopted by, other operators and other sectors of the gambling industry in order to benchmark Group progress to improve and advance its safer gambling capabilities.

Of particular note during the year under review, the Committee has considered and contributed to Rank's response to the Department for Digital, Culture, Media and Sport's ('DCMS') consultation on proposals for changes to gaming machines and social responsibility measures. It has also confirmed the Group's own roadmap for improving consumer protection in this area, which is aligned with the expectations of the Government.

Further to this, the Committee broadly welcomes the package of measures that the DCMS calls for in its response to the consultation, which includes a greater use of available data to detect signs of potential at-risk and problem play and the implementation of player tracking and limits on gaming machines. The Group is committed to implementing these new measures and to ensuring their proper evaluation in the coming year.

**RESPONSIBLE GAMBLING COMMITTEE** CONTINUED

The Committee also seeks to ensure it is abreast of upcoming developments. In this vein, the Committee is fully aware of Gambling Commission plans in the coming year to review the sufficiency of rules relating to online gambling. As the Group's digital business continues to grow, the Committee is conscious that Rank must keep up with technological developments and contribute positively to the implementation and enhancement of increased protection for customers in this area.

Rank has continued to review and implement the learnings from the publications of the UK Gambling Commission and other applicable regulators. During the year, various initiatives have been implemented and/or further progressed, notably:

- the expansion and enhancement of deposit monitoring in the digital business, significantly increasing the number of customers receiving proactive responsible gambling contact;
- identification of casinos to participate in a trial during 2018/19 of predictive alerts developed in partnership with the Canadian organisation, Focal Research;
- further development of the digital propensity model to assist in detecting at-risk and problem behaviour, including the introduction of a number of approaches to intervention for trial; and

**ATTENDANCE**

NAME	COMMITTEE MEMBERSHIP SINCE	ATTENDANCE/ ELIGIBILITY TO ATTEND	NOTES
Chris Bell	MAR 16	3/3	
Henry Birch	MAR 16	3/3	Henry Birch stepped down from the committee on 7 May 2018
Ian Burke	MAR 16	3/3	
Susan Hooper*	JUL 17	3/3	Susan Hooper will step up as Committee chair on 18 October 2018
Lord Kilmorey*	MAR 16	3/3	Lord Kilmorey will step down from the Committee on 18 October 2018
John O'Reilly	MAY 18	0/0	John O'Reilly joined the Committee on 7 May 2018

\* Lord Kilmorey will step down as chair on 18 October 2018 and Susan Hooper will become chair on such date.

- a Group-wide review of Rank's 'Keep It Fun' responsible gambling messaging to assess awareness and to assist in identifying further improvement.

In addition to the above, the Grosvenor retail business, along with other members of the National Casino Forum, laid plans for the introduction of improved player tracking and machine limits to be introduced during the coming year.

Further details of the Group's activities during the year and focus on the year ahead can be found on page 28.

The Group is committed to achieving the highest standards so as to ensure a fair and safe gambling experience for its customers. The Committee remains focused on doing all that it can to assist the Group with this commitment.

**LORD KILMOREY**

Chairman of the Responsible Gambling Committee

15 August 2018

## FINANCE COMMITTEE

# FINANCE

## COMMITTEE

OTHER  
COMMITTEE  
MEMBERS

John O'Reilly,  
Clive Jennings



**IAN BURKE**  
Chairman

The finance committee (the ‘Committee’) comprises the chairman, chief executive, and finance director. The committee is authorised by the board to approve capital expenditure and make financing decisions for the Group up to authorised limits. The Committee also acts as the board’s disclosure committee for the purposes of the Market Abuse Regulations (MAR) which came into force on 3 July 2016.

The Committee’s terms of reference are available from the Company’s website at [www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html), or by writing to the company secretary.

### 2017/18 ACTIVITY

The Committee met on eight occasions during the year and the issues it discussed included:

- trading;
- financial reporting;
- estate management issues;
- treasury short-term deposits and counter-party limits;
- insurance cover and uninsured risks;
- review of non-executive director fees;
- payment of intragroup dividends;
- the merger of the Group’s two Belgian subsidiaries;
- review of Group subsidiaries’ board composition;
- M&A opportunities;
- the Company’s loan to and call option over shares in its digital platform software provider (Bede Gaming); and
- commercial agreements within its delegated authority.

### COMMITTEE MEETING ATTENDANCE

NAME	COMMITTEE MEMBER SINCE	ATTENDANCE/ ELIGIBILITY TO ATTEND	NOTES
Henry Birch	MAY 2014	7/7	Henry Birch resigned from the Committee effective from 7 May 2018
Ian Burke	MAR 2006	8/8	Ian Burke has been Committee chair since 15 July 2011
Clive Jennings	JUL 2011	8/8	Clive Jennings will step down from the Committee on 17 August 2018 and James Pizey, the Group’s head of reporting, will join the Committee on an interim basis.
John O'Reilly	MAY 2018	1/1	John O'Reilly joined the Committee on 7 May 2018

# REMUNERATION

## COMMITTEE

**OTHER  
COMMITTEE  
MEMBERS**

Chris Bell,  
Susan Hooper,  
Alex Thursby



**STEVEN ESOM**  
Chairman

### ANNUAL STATEMENT

#### INTRODUCTION

On behalf of the board, I am pleased to present Rank's remuneration report for the year ended 30 June 2018, which will be subject to the usual annual advisory vote at the 2018 annual general meeting. As set out in last year's remuneration report, the focus of the remuneration committee (the 'Committee') during the 2017/18 financial year was to design a new remuneration policy. After consulting with shareholders, the Company put a new Directors' Remuneration Policy to shareholder vote at the general meeting held on 25 April 2018, and received strong shareholder support with 91% votes in favour.

#### NEW REMUNERATION POLICY

During the year, the Committee reviewed the remuneration policy to ensure, amongst other things, that the variable incentive schemes enable the Company to attract, retain and reward its senior executives to deliver optimal and sustainable returns to shareholders. Following extensive consultation with, and input from, the major shareholder, the review has resulted in a simplified annual bonus scheme and minor amendments to the long-term incentive plan ('LTIP').

The bonus structure has been simplified through the removal of (i) the pool system, (ii) the return on shareholder funds measure and (iii) the bonus rate modifier. The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial measures, strategic and/or personal objectives. While the Company has scope to apply different measures in future years, for the 2017/18 financial year the outcome was based on performance against a sliding scale of profit targets. The maximum bonus opportunity for the chief executive has increased from 100% of salary to 150%, and for other directors, from 80% to 120% of salary. This increase reflects the size and complexity of the business and is intended to ensure that the Company is able to recruit and retain top talent. Bonus deferral has now been introduced, such that any bonus earned in excess of 100% of salary for the chief executive and 80% of salary for other directors, will be deferred in shares for two years. In line with good practice, recovery and withholding provisions have been introduced.

The LTIP structure is broadly unchanged, following direction from the Company's majority shareholder. Awards will now cover four financial years, as opposed to three, and vesting will continue to be phased in three tranches. In line with best practice, a holding period will apply to the first two tranches which requires executives to hold the net-of-tax number of vested shares until after 1 October 2023. Maximum opportunities under the four-year block award are 600% of salary for the chief executive and 450% of salary for other directors. For the 2017/18 award (which was granted on 28 June 2018), performance will be measured 70% on a range of financial measures and 30% on strategic measures relating to individual business units. Further details can be found on page 89. No further award will be made to the current executive directors until the 2021/22 financial year.

The Committee also took the opportunity to review the share ownership guidelines. An increased guideline of 200% of salary will apply to all executive directors and directors have five years from appointment to build up the required share ownership, subject to there being sufficient free float.

### BOARD CHANGES

In March 2018, we announced that our chief executive, Henry Birch, had advised the board of his intention to leave the business. In May 2018, Henry stepped down from the board. He will not be eligible for an annual bonus payment for the 2017/18 financial year and all of his unvested LTIP awards will lapse. Further details of the termination arrangements for Henry are set out on page 91, the terms of which are in accordance with the remuneration policy.

We were delighted to announce the appointment of John O'Reilly, who joined the board and replaced Henry as chief executive with effect from 7 May 2018. The remuneration arrangements for John are consistent with the remuneration policy set out in this report. John is entitled to an annual salary of £500,000, a pension contribution of 10% of salary (less the lower earnings limit offset), benefits in line with policy, a maximum annual bonus opportunity of 150% of salary and a maximum LTIP grant of 600% of salary, which covers four years of annual grants. No 'buy-out' payments were made.

We were also pleased to announce the appointment of Alan Morgan, managing director, retail, to the board with effect from 7 May 2018. The remuneration package for Alan is in line with the remuneration policy and comprises an annual salary of £375,000, a pension allowance of 10% of salary (less lower earnings limit offset) and benefits in line with policy. Alan is eligible to participate in the Company's annual bonus and LTIP, receiving a maximum bonus opportunity of 120% of salary, and a maximum LTIP award of 450% of salary, which covers four years of annual grants.

On 8 August 2018, we announced that Clive Jennings, finance director, will be stepping down from the board and leaving the business on 17 August 2018. The Committee has exercised its discretion to treat him as a good leaver for the purposes of (i) the 2017/18 annual bonus scheme for which the performance period finished on 30 June 2018, and (ii) his 2014/15 LTIP grant for which the performance period finished on 30 June 2017. The remaining two tranches of his 2014/15 LTIP grant will vest on 1 December 2018. However, the Committee determined that his LTIP award granted on 28 June 2018 will lapse, given the short period of time since it was granted (even though one quarter of the four-year performance period has been completed). He will not be eligible for an annual bonus payment for the 2018/19 financial year. Further details of Clive's termination arrangements, which are in accordance with our remuneration policy, can be found at <http://www.rank.com/en/investors/section-430--2b-companies-act-2006-statement.html>.

## PERFORMANCE IN 2017/18

This year is the first pay-out under the bonus plan that was set out in the new remuneration policy approved by shareholders at the general meeting held on 25 April 2018. Annual bonus payments are based on a challenging profit after tax target. As noted elsewhere in this report, it was a challenging year for our business, with the Group delivering revenue (before adjustments for customer incentives) and operating profit down on prior year. Our performance resulted in no annual bonus pay-out in respect of financial targets. Further details on performance against targets are outlined on page 89.

However, in light of individual performance, an annual bonus pay-out of £10,000 for the finance director was agreed by the Committee.

The managing director, retail, received an annual bonus under the bonus plan he participated in prior to becoming an executive director on 7 May 2018.

As reported last year, the performance period for the 2014/15 LTIP ended on 30 June 2017 and, further to this, the Committee determined that 37.5% of the total number of shares awarded was capable of vesting. The first tranche (45%) of the LTIP award vested on 1 December 2017. The remaining two tranches will vest, subject to Committee approval, on 1 December 2018 (30%) and 1 December 2019 (25%) respectively (although please see above in respect of Clive Jennings' 2014/15 LTIP award).

Clive Jennings' base salary was reviewed during the year and was increased to £319,730, with effect from 1 April 2018. The increase was in line with overall increases awarded to the wider workforce, but at 1.5% was below the average percentage increase awarded to all employees. John O'Reilly joined after the salary review date and Alan Morgan became an executive director after that date. Therefore, their salaries will next be reviewed on 1 April 2019.

## CONCLUSION

The Committee believes the revised remuneration policy will continue to motivate our management team to achieve our strategic goals and will appropriately reward strong performance. We will continue to keep remuneration arrangements under review and welcome any feedback on this report and the remuneration policy. We look forward to receiving your support at the forthcoming AGM.

### STEVEN ESOM

Chairman of the Remuneration Committee

15 August 2018

## DIRECTORS' REMUNERATION POLICY

This report sets out the remuneration policy for the Company and has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The remuneration policy set out below (the 'Policy') was adopted following a binding shareholder vote at the general meeting held on 25 April 2018 and took effect from the date of approval. The policy report has been reproduced for information and updated to reflect the passage of time, such as change in tense and page references and the executive directors' current remuneration packages for the purposes of the chart illustrating the application of the policy in the coming year.

## REMUNERATION AND COMPONENTS

The Committee reviews the Group's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Group's strategic objectives and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

The performance of the Company is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre. In order to attract such individuals, the Committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive (not paying more than is necessary), sensitive to pay elsewhere within the Group and directly linked to performance.

## COMMITTEE'S APPROACH TO SETTING PAY

The Committee intends that the base salary and total remuneration of executive directors should be competitive against other similar gaming peers and companies of a broadly similar size. Remuneration is benchmarked against rewards available for equivalent roles in suitable comparator companies, with the aim of paying neither significantly above nor below market levels for each element of remuneration at target performance levels.

The Committee also considers general pay and the employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the executive committee.

The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The Policy is designed to incentivise executives to meet the Group's key objectives, and so a significant proportion of total remuneration is Group performance related.

The Committee will set targets for the different components of performance-related remuneration so that they are both appropriate and sufficiently demanding in the context of the business environment and the challenges facing the Group.

**DIRECTORS' REMUNERATION REPORT** CONTINUED**REMUNERATION POLICY TABLE**

The key components of executive directors' remuneration are summarised below:

COMPONENT AND LINK TO BUSINESS STRATEGY	OPERATION
<b>Base salary</b> To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.	Base salaries are typically reviewed annually, with any change normally effective from 1 April. Any increases take into account: <ul style="list-style-type: none"> <li>• the role's scope, responsibility and accountabilities;</li> <li>• market positioning, including pay levels at other gaming operators;</li> <li>• general rates of increase across the Group; and</li> <li>• the performance and effectiveness of the individual and the Group.</li> </ul>
<b>Insured and other benefits</b> Insured and other benefits are offered to executive directors as part of a competitive remuneration package.	Insured benefits may comprise private healthcare insurance for executive directors and dependants, life assurance and permanent health insurance.  Other benefits comprise a cash car allowance and the fuel cost of all mileage (private and business). The amount of the cash car allowance is reviewed periodically by the Committee in the light of market conditions.  Other benefits, in line with the provision to other employees, may be offered as appropriate and travel and related expenses may be reimbursed.  The Committee retains the discretion to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. If provided, the Committee aims to ensure payments are not excessive and support business needs. As such, relocation assistance will be reviewed on a case-by-case basis taking into account factors such as the individual's circumstances and the geographies involved, meaning that there is no prescribed formula for calculating the level or structure of payments. Tax equalisation and overseas tax advisory fees may be payable.  Executive directors may participate in HMRC-approved all-employee schemes up to HMRC limits.
<b>Retirement provisions</b> Rewards sustained contribution and encourages retention.	Executive directors are offered membership of the Rank Group Stakeholder Pension Plan (the 'Pension Plan') or a cash allowance of equivalent value to the employer's contribution to the Pension Plan. An executive director may be automatically enrolled in The Rank Group Workplace Pension Scheme (the 'Pension Scheme') in accordance with the Company's obligations under the Pensions Act 2008. The Company will contribute into the Pension Plan at the rate of 10% of the executive director's base salary, up to any maximum contribution levels set annually by HMRC. Either part or the full value of the annual 10% of base salary pension employer contribution may instead be paid as a cash allowance.  The Committee retains the discretion to honour all contractual pension arrangements agreed prior to the application of this Policy.

## PERFORMANCE METRICS

## MAXIMUM OPPORTUNITY

Not applicable although the individual's performance will be taken into account when determining the level of increase, if any.

While there is no maximum annual increase, ordinarily any increases in executive directors' base salaries will be limited, in percentage of base salary terms, to those received by the wider workforce during the year.

Where the Committee considers it necessary or appropriate, larger increases may be awarded in individual circumstances, such as a change in scope or responsibility or alignment to market levels.

For new hires, the Committee has the flexibility to set the salary at a below-market level initially and to realign it over the following years as the individual gains experience in the role. In exceptional circumstances, the Committee may agree to pay above-market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience which is critical to the delivery of the Group's strategy.

Not applicable.

It is anticipated that the provision of insured and other benefits will not form a significant part of the package in financial terms.

The cost of the benefits provided may change in accordance with market conditions or in the event of the payment of relocation assistance.

Not applicable.

For all new appointments, the maximum pension contribution (defined contribution or cash supplement) will be 10% of base salary, less the lower earnings limit.

Legacy arrangements to be honoured:  
Finance Director - 15% of base salary, less the lower earnings limit.

COMPONENT AND LINK TO BUSINESS STRATEGY	OPERATION
<b>Annual bonus</b>  Motivates the achievement of annual strategic, financial and personal performance. Rewards individual contribution to the success of the Group.	<p>Rank operates an annual bonus scheme in which executive directors participate.</p> <p>The bonus is based on stretching targets set annually. Bonus pay-outs are determined by the Committee after the year end following the Committee's assessment of performance relative to the targets set.</p> <p>To allow the Committee to assess the quality of earnings over the year and to introduce an element of retention, any cash bonuses earned by the executive directors will be subject to a six-month deferral period and will be paid in the December following the 30 June financial year end.</p> <p>Any bonus earned by the chief executive above 100% of base salary and 80% of base salary for other directors will be deferred (normally in shares) for a period of two years.</p> <p>Recovery and withholding provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets.</p>
<b>Long-term incentive plan</b>  The long-term incentive plan is intended to align the interests of the executive directors and shareholders through the creation of shareholder value over the long term.	<p>The Rank Group Plc 2010 Long-Term Incentive Plan (LTIP) is currently the only long-term equity-based incentive scheme in place for the executive directors and other senior executives.</p> <p>Consistent with the structure of the 2014/15 award, it was proposed that there be a single grant of contingent share awards under the LTIP in 2017/18 to cover four years of annual grants. Performance is measured over four years (based on targets relating to performance in 2020/21) and awards vest in three tranches with one third in October 2021, one third in October 2022 and one third in October 2023.</p> <p>A holding period applies to the first and second vested tranches to create a five-year period between grant and the first available opportunity to sell vested awards (save for any sale to settle personal tax obligations).</p> <p>A single block award was made to the current directors under the LTIP in June 2018. There will be no further grants of long-term incentives to those directors in the next three financial years (2018/19, 2019/20 and 2020/21).</p> <p>New employees joining during the life of this Policy may receive an award at or around the time of joining either on similar terms as the 2017/18 grant or as annual awards of up to 200% of base salary, and in either case with different performance criteria and a different vesting period provided that in no case shall an award have a vesting period of less than three years.</p> <p>An award under this plan may be made to a new director in any year of the three-year policy.</p> <p>Clawback and malus provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets or in respect of Awards granted on or after 25 April 2018, a material financial loss to the Group or a material deterioration in Group profits which is inconsistent with the financial performance of the gaming industry.</p>
<b>Share ownership guideline</b>  To create greater alignment between executives and shareholders	Subject to there being sufficient free float, a market standard 200% of base salary guideline will apply for executive directors.

## PERFORMANCE METRICS

## MAXIMUM OPPORTUNITY

The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial measures and strategic and/or personal objectives.

Performance below threshold will result in zero payment. Up to 25% of the opportunity available may be payable for achieving a threshold level of performance.

A full description of the performance measures in place and performance against them will be provided in the Annual Remuneration Report on a retrospective basis, to the extent they are not considered to be commercially sensitive.

The Committee retains the discretion, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Group or the individual, taking account of any factors it considers relevant.

For the 2018/19 financial year, the bonus is based primarily on profit-after-tax targets.

## 2017/18 award

For awards granted in 2017/18:

- (i) vesting will be based 40% on earnings per share, 7.5% on digital revenue, 7.5% on digital profit, 7.5% on Grosvenor London revenue and 7.5% on Grosvenor London profit. The remaining 30% of the award will be based primarily on strategic measures relating to individual business units. The measures are set out in the notice of general meeting to approve the Policy. Performance is measured over the four-year period commencing in 2017/18 and ending in 2020/21.
- (ii) for each financial performance measure (covering 70% of the overall award), performance below threshold results in zero vesting. 50% of the award may vest for target performance with 100% vesting for achieving maximum performance. Vesting occurs on a straight-line basis between target and maximum.

At the end of the performance period, the Committee will have absolute discretion to determine the extent to which the awards will vest, if at all, taking account of underlying Group, individual and share price performance. The Committee may, in its absolute discretion, adjust upwards or downwards including to nil the number of shares under an award which would otherwise vest.

If discretion is applied, the level and reasons for its application will be fully disclosed in the following year's Annual Remuneration Report.

If awards are granted in the second and third years of the three-year policy period, the Committee will determine measures and targets at the time to ensure continuing alignment with strategy. Performance targets may relate to both financial and non-financial measures linked to the Group's long-term business strategy, including but not limited to:

- Group or business unit profit;
- Group or business unit revenue;
- return on capital; and
- strategic objectives of the Group.

Not applicable.

Chief executive: 150% of base salary  
Other directors: 120% of base salary

The maximum award level for awards granted in 2017/18 has been set at 600% of base salary for the Chief Executive and 450% of base salary for the other directors. This is the aggregate maximum covering four years and the intention was that the maximum award will be granted in 2017/18 with no further awards being made until 2021/22.

For new directors, a single grant of up to 600% of base salary may be made in the Policy period. Alternatively, annual awards of up to 200% of base salary per annum may be granted.

Not applicable.

## SETTING OF PERFORMANCE MEASURES AND TARGETS

The Committee reviews and selects performance measures at the beginning of each award cycle under both the annual bonus plan and the LTIP, being informed by the short- and long-term priorities of the Group at the time. The Committee considers the Group's key performance indicators and strategic business plan when selecting measures and calibrating targets. The Committee is aware that targets for both financial and non-financial measures should be appropriately stretching yet achievable. Details of these are included in the annual report each year. Factors that the Committee may consider include the strategic plan, the annual budget, economic conditions, individuals' areas of responsibility, the Committee's expectations over the relevant period and input from the major shareholder.

## COMMITTEE DISCRETION IN OPERATION OF VARIABLE PAY SCHEMES

The Committee operates under the powers it has been delegated by the board. In addition, it complies with rules that are either subject to shareholder approval (the LTIP) or approval from the board (the annual bonus scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Policy is fair, both to the individual director and to shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules, the maximum opportunity or the performance metrics section of the policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- determining the extent of vesting based on the assessment of performance and discretion relating to measurement of performance in certain events such as a change of control or reconstruction;
- whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied;
- making appropriate adjustments required in certain circumstances, for instance for changes in capital structure;
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment or an unforeseen material change in gaming regulation or taxation which was unforeseen at the time the measures and targets were set), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

## LEGACY ARRANGEMENTS

The Committee may approve payments to satisfy commitments agreed prior to the approval of this Policy. This includes previous incentive awards that are currently outstanding such as the 2014/15 LTIP award. The Committee may also approve payments outside of the Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board.

All historic awards that were granted but remain outstanding are eligible to vest based on their original award terms.

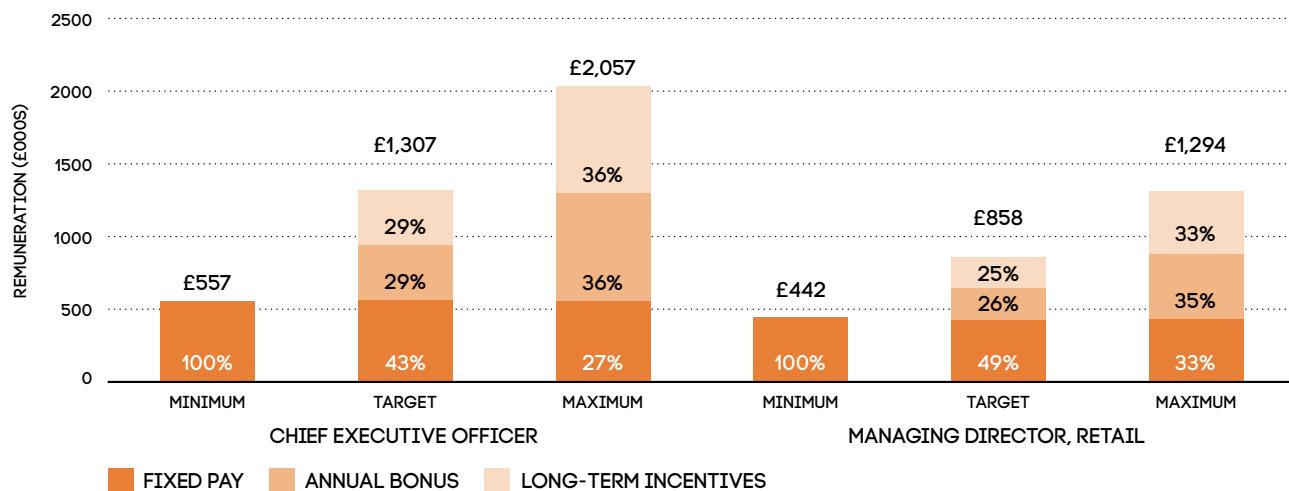
## DIFFERENCES IN THE REMUNERATION POLICY FOR EXECUTIVES RELATIVE TO THE BROADER EMPLOYEE POPULATION

The remuneration policy in place for the executive directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

- salaries are reviewed annually with regard to the same factors as those set out in the Policy table for executive directors;
- members of the executive committee participate in an annual bonus plan dependent on profit performance of the Group. Other members of senior management participate in the same plan, dependent on profit performance of the Group or EBITDA performance of brand, according to their role and level;
- members of the senior management team can be considered for awards under the LTIP. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. It is standard for senior executives to receive a company car allowance. Pension provision below board level is overall at lower contribution rates, with the majority of the Group's eligible employees now being automatically enrolled into the NEST Workplace Pension Scheme with contributions in line with legislative requirements. However, a significant proportion of employees remain in the Group's Stakeholder Pension Plan, with contribution levels higher than mandatorily required.

## POTENTIAL REWARD OPPORTUNITIES AT DIFFERENT LEVELS OF PERFORMANCE

The graphs below exhibit remuneration policy for existing executive directors and show indicative total remuneration levels under different performance scenarios: minimum, on-target and maximum. The remuneration policy results in a high proportion of total remuneration being dependent on performance, with a majority tied to the long-term performance of the Group.



**Minimum:** Comprises the value of fixed pay using the current base salary and pension and the value of last year's benefits (annualised for the chief executive and managing director, retail).

**Target:** Minimum plus assumes half of the bonus is earned and the LTIP vests at 50% (on an annualised basis reflecting no grants until 2021/22).

**Maximum:** Minimum plus assumes full bonus is earned and the LTIP vests in full (on an annualised basis reflecting no grants until 2021/22).

## REMUNERATION FOR APPOINTMENTS

The Committee will apply the existing Policy to new executive directors in respect of all components of remuneration. Base salary and benefits will be set in accordance with the Policy and relocation assistance may be provided for both internal and external appointments, if necessary. In addition, the maximum level of annual bonus which may be earned is 150% of base salary for a chief executive and 120% of base salary for other executive directors.

New directors may participate in the LTIP and receive an award of up to 600% of base salary for a chief executive and 450% of base salary for other directors. These are the aggregate limits that may be made over a four-year period. Annual grants at lower values may be made as long as the aggregate value over a four-year period do not exceed the limits set out above and in the Policy table.

The Committee may also make an additional award of cash or shares on the appointment of a new director in order to compensate for the forfeiture of remuneration from a previous employer. Such awards would be made on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The Committee will set appropriate performance conditions and vesting would be on the same time horizon as the forfeited award.

New non-executive directors will be appointed on the same remuneration elements as the existing non-executive directors. It is not intended that variable pay, day rates or benefits in kind be offered.

**DIRECTORS' REMUNERATION REPORT** CONTINUED**APPROACH TO TERMINATION PAYMENTS**

The Group does not believe in reward for failure. The circumstances of a director's termination (including the director's performance) and an individual's duty to mitigate losses are taken into account in every case. Rank's policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period.

Compensatory payments are limited to 12 months' base salary, cash car allowance and defined pension contributions (or salary supplements).

Annual bonus awards will normally lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out. For certain good leaver reasons, a bonus may become payable at the discretion of the Committee.

If the holder of a LTIP award ceases, for any reason, to be an executive director or employee of a Rank Group company, that holder's LTIP award shall lapse immediately upon them ceasing to be an executive director or employee. However, the Committee may in its absolute discretion allow awards to continue until the normal vesting date or for vesting to be

accelerated to the date of cessation and in either case the extent to which that award shall vest may be subject to the achievement of the relevant performance conditions and pro-ration on a time-apportioned basis at the Committee's discretion. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to past performance to the date of leaving.

**CHANGE OF CONTROL**

In the event of a change of control, the Committee has absolute discretion as to whether and on what basis awards should vest under the LTIP. The Committee would normally allow awards to vest upon a change of control subject to satisfaction of performance criteria and reduction on a time-apportioned basis.

**EXECUTIVE DIRECTORS' SERVICE AGREEMENTS**

It is the Group's policy that executive directors have rolling service agreements.

The current executive directors' service contracts contain the key terms shown in the table below:

PROVISION	DETAILED TERMS
<i>Remuneration</i>	<ul style="list-style-type: none"> <li>• Base salary, pension and benefits</li> <li>• Cash car allowance</li> <li>• Private health insurance for director and dependants</li> <li>• Life assurance</li> <li>• Permanent health insurance</li> <li>• Participation in annual bonus plan, subject to plan rules</li> <li>• Participation in LTIP, subject to plan rules</li> <li>• 25 days' paid annual leave, increasing to 30 days with length of service</li> </ul>
<i>Notice period</i>	6 months' notice from both the Company and the director, with the exception of Clive Jennings, whose contract provides for both parties to give 12 months' notice.
<i>Termination payment</i>	<p>Payment in lieu of notice equal to:</p> <ul style="list-style-type: none"> <li>• 6 months' base salary (12 months' base salary for Clive Jennings)</li> <li>• In respect of John O'Reilly, cash car allowance</li> <li>• In respect of John O'Reilly, pension supplement</li> </ul> <p>All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments would either reduce, or cease completely, in the event that the director gained new employment.</p>
<i>Restrictive covenants</i>	During employment and for six months after leaving (12 months for Clive Jennings).

Copies of the executive directors' service contracts are available for inspection at the Company's registered office.

Service agreements outline the components of remuneration paid to the individual director but do not prescribe how remuneration levels may be adjusted from year to year.

The executive directors have served on the board for the periods shown below and have service agreements dated as follows:

POSITION	NAME	DATE OF CONTRACT	LENGTH OF BOARD SERVICE AS AT 30 JUNE 2018
Chief executive	John O'Reilly	30 APRIL 2018	<b>2 MONTHS</b>
Finance director	Clive Jennings	27 JULY 2011	<b>6 YEARS 11 MONTHS</b>
Managing director, retail	Alan Morgan	17 SEPTEMBER 2016	<b>2 MONTHS</b>

#### CHAIRMAN

The Company separated the role of chairman and chief executive with effect from 6 May 2014.

The chairman, Ian Burke, has a letter of engagement dated 22 April 2014 which is effective from 6 May 2014 and which replaced his service agreement dated 6 March 2006 in respect of his former role as chief executive. He was initially engaged as non-executive chairman for a period of three years. His appointment is terminable without compensation on three months' notice from either side. The chairman receives an all-encompassing fee which includes his chairmanship of the nominations and finance committees. The fee is reviewed annually by the Committee, with reference to the size and complexity of the role and external market comparisons, in the final quarter of each calendar year with any increase taking effect on 1 April. The chairman is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements.

#### POLICY FOR NON-EXECUTIVE DIRECTORS

COMPONENT	PURPOSE AND LINK TO BUSINESS STRATEGY	MECHANICS OPERATION AND PERFORMANCE FRAMEWORK	LENGTH OF BOARD SERVICE AS AT 30 JUNE 2018
Fees	To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.	Fees are reviewed in the final quarter of each calendar year to reflect appropriate market conditions. Fee increases, if applicable, are effective from 1 April the following year. The base fee includes membership of the audit, remuneration, nominations and finance committees. Non-executive directors are not entitled to any benefits in kind and are not eligible for pension scheme membership, bonus or incentive arrangements.	Aggregate annual fees limited to £750,000 by the Company's articles of association. Current fee levels are set out in the annual report on remuneration.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable by mutual consent at intervals of not more than three years. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of non-executive directors' appointments, which are terminable without compensation, are set out in the table below:

NON-EXECUTIVE DIRECTOR	ORIGINAL DATE OF APPOINTMENT	DATE OF LETTER OF ENGAGEMENT	TOTAL LENGTH OF SERVICE AS AT 30 JUNE 2018
Lord Kilmorey*	<b>1 MAY 2012</b>	29 MARCH 2012	<b>6 YEARS 2 MONTHS</b>
Chris Bell	<b>1 JUNE 2015</b>	5 MAY 2015	<b>3 YEARS 1 MONTH</b>
Susan Hooper	<b>1 SEPTEMBER 2015</b>	11 AUGUST 2015	<b>2 YEARS 10 MONTHS</b>
Steven Esom	<b>1 MARCH 2016</b>	24 FEBRUARY 2016	<b>2 YEARS 4 MONTHS</b>
Alex Thursby	<b>1 AUGUST 2017</b>	21 JUNE 2017	<b>11 MONTHS</b>

\* Lord Kilmorey will not be offering himself for re-election by shareholders at the 2018 AGM.

#### SHAREHOLDER ENGAGEMENT

In designing the new Policy the Committee consulted with the majority shareholder regarding the proposed changes and took into account the latest trends in executive pay and good governance. While the concept of a block award as set out in the Policy is out of line with typical practice in the UK, the Committee has taken advice from the majority shareholder who supports this type of structure. The Committee does, however, remain mindful of shareholders concerns and will keep the block award structure under review. The Committee informs major shareholders in advance of any material changes to the Policy and will offer a meeting to discuss these details, if required.

#### STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

As described in the notes to the policy table on page 84 the overarching themes of the policy in place for executive directors are broadly consistent with those applied to the wider employee population. The Committee is informed of pay and conditions in the wider employee population and takes this into account when setting senior executive pay.

**DIRECTORS' REMUNERATION REPORT** CONTINUED**ANNUAL REMUNERATION REPORT**

The directors' remuneration report has been prepared on behalf of the board by the Committee, under the chairmanship of Steven Esom.

The Committee has applied the principles of good governance set out in the Corporate Governance Code and, in preparing this report, has complied with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations').

The Company's external auditor is required to report to shareholders on the audited information contained in this report and to state whether, in its opinion, it has been prepared in accordance with the Regulations.

**DIRECTORS' SINGLE REMUNERATION FIGURE (AUDITED)**

The table below presents a single remuneration figure for each director for the years ended 30 June 2018 and 30 June 2017 in respect of performance during the years ended on those dates:

2017/18	SALARY/FEES	TAXABLE BENEFITS <sup>6</sup>	Fixed pay (£)		Performance pay (£)			2017/18 TOTAL REMUNERATION (£) <sup>7</sup>
			PENSION	SUB-TOTAL	CASH BONUS	3-YEAR BLOCK LTIP AWARD VESTING	SUB-TOTAL	
<b>Executive directors</b>								
John O'Reilly <sup>1</sup>	<b>76,282</b>	<b>4,268</b>	<b>7,536</b>	<b>88,086</b>	<b>0</b>	<b>N/A</b>	<b>0</b>	<b>88,086</b>
Henry Birch <sup>2</sup>	<b>420,115</b>	<b>25,380</b>	<b>41,511</b>	<b>487,006</b>	<b>0</b>	<b>N/A</b>	<b>0</b>	<b>487,006</b>
Clive Jennings	<b>319,730</b>	<b>21,093</b>	<b>46,540</b>	<b>383,816</b>	<b>10,000</b>	<b>N/A</b>	<b>0</b>	<b>393,816</b>
Alan Morgan <sup>3</sup>	<b>55,769</b>	<b>3,437</b>	<b>5,411</b>	<b>64,617</b>	<b>25,675</b>	<b>N/A</b>	<b>0</b>	<b>90,292</b>
<b>Non-executive directors</b>								
Chris Bell	<b>52,500</b>	<b>N/A</b>	<b>N/A</b>	<b>52,500</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>52,500</b>
Ian Burke	<b>160,000</b>	<b>N/A</b>	<b>N/A</b>	<b>160,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>160,000</b>
Steven Esom	<b>57,500</b>	<b>N/A</b>	<b>N/A</b>	<b>57,500</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>57,500</b>
Susan Hooper	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>
Lord Kilmorey	<b>50,875</b>	<b>N/A</b>	<b>N/A</b>	<b>50,875</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>50,875</b>
Alex Thursby <sup>4</sup>	<b>52,209</b>	<b>N/A</b>	<b>N/A</b>	<b>52,209</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>52,209</b>
Owen O'Donnell <sup>5</sup>	<b>17,920</b>	<b>N/A</b>	<b>N/A</b>	<b>17,920</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>17,920</b>

1. John O'Reilly was appointed to the board on 7 May 2018.

2. Henry Birch stepped down from the board on 7 May 2018.

3. Alan Morgan was appointed to the board on 7 May 2018.

4. Alex Thursby was appointed to the board on 1 August 2017.

5. Owen O'Donnell stepped down from the board on 19 October 2017.

6. Taxable benefits comprise car allowance, fuel benefit, and life, long-term disability and private medical insurances, as detailed on page 80.

7. Unaudited note: The 2014/15 LTIP award was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17 and a performance period ending on 30 June 2017. This structure resulted in a reported LTIP vesting value for 2016/7 once the performance period had finished with no vesting value in 2017/18 or 2018/19. If this value was spread by reference to the tranches capable of vesting each year, the 2017/18 vesting value would be £148,998 for the finance director (reflecting the first tranche that vested on 1 December 2017 based on the average share price for the three months to 30 June 2018 of £2.1787), making his respective 2017/18 total remuneration £519,892. Henry Birch, the former chief executive, would have £0 because his outstanding awards lapsed upon leaving.

2016/17	SALARY/FEES	TAXABLE BENEFITS <sup>1</sup>	Fixed pay (£)		Performance pay (£)			2016/17 TOTAL REMUNERATION (£) <sup>4</sup>
			PENSION <sup>2</sup>	SUB-TOTAL	CASH BONUS	3-YEAR BLOCK LTIP AWARD VESTING <sup>3</sup>	SUB-TOTAL	
<b>Executive directors</b>								
Henry Birch	<b>495,000</b>	<b>29,620</b>	<b>48,916</b>	<b>573,536</b>	<b>312,608</b>	<b>1,168,518</b>	<b>1,481,126</b>	<b>2,054,662</b>
Clive Jennings	<b>315,000</b>	<b>20,863</b>	<b>46,376</b>	<b>382,239</b>	<b>105,500</b>	<b>517,103</b>	<b>622,603</b>	<b>1,004,842</b>
<b>Non-executive directors</b>								
Chris Bell	<b>49,500</b>	<b>N/A</b>	<b>N/A</b>	<b>49,500</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>49,500</b>
Ian Burke	<b>152,500</b>	<b>N/A</b>	<b>N/A</b>	<b>152,500</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>152,500</b>
Steven Esom	<b>57,500</b>	<b>N/A</b>	<b>N/A</b>	<b>57,500</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>57,500</b>
Susan Hooper	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>
Lord Kilmorey	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>50,000</b>
Owen O'Donnell	<b>59,000</b>	<b>N/A</b>	<b>N/A</b>	<b>59,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>59,000</b>

1. Taxable benefits comprise car allowance, fuel benefit, and life, long-term disability and private medical insurances, as detailed on page 80.

2. Pension values have been restated as a result of an administrative error.

3. LTIP vesting values under the 2014/15 LTIP for which the performance period ended on 30 June 2017. Following the end of the performance period, 37.5% of the total number of shares awarded was capable of vesting, subject to the directors meeting the service requirements, on 1 December 2017, being 515,132 shares for the chief executive and 227,961 shares for the finance director. The value has been updated in respect of the first tranche that vested on 1 December 2017 to reflect the share price on the date of vesting of 23.8p.

The first tranche (45%) of the LTIP award vested on 1 December 2017. The remaining two tranches will vest, subject to Committee approval, on 1 December 2018 (30%) and 1 December 2019 (25%) respectively. As Henry Birch stepped down from the board during the year, the second and third instalments of his award lapsed in full. The Committee determined that as Clive Jennings was a good leaver the second and third instalments of his award would vest on 1 December 2018.

4. Unaudited note: As noted above, the 'block award' structure of the LTIP results in a reported LTIP vesting value for 2016/7 once the performance period has finished with no vesting value in the two subsequent years. If this value was spread by reference to the tranches capable of vesting each year, the 2016/17 vesting value would be £336,695 for the chief executive and £148,998 for the finance director (reflecting the first tranche that vested on 1 December 2017), making their respective 2016/17 total remuneration £1,176,626 and £616,287.

Non-executive directors receive fees only, details of which are provided on page 94 together with the non-executive chairman's fees. These amounts are within the maximum annual aggregate amount of £750,000 currently permitted by the Company's articles of association.

The aggregate total annual amount received by all directors during the year ended 30 June 2018 is shown below:

	2017/18	2016/17 <sup>1</sup>
Executive directors	<b>£1,059,200</b>	£3,059,504
Chairman and non-executive directors	<b>£441,004</b>	£418,500
Total	<b>£1,500,204</b>	£3,478,004

1. Unaudited note: The aggregate total amount received by the executive directors in 2016/17 includes the total value of the 2014/15 LTIP award. This LTIP was a 'block award' covering three annual awards with no awards made in 2015/16 and 2016/17 and a performance period ending on 30 June 2017. This structure results in a reported LTIP vesting value in 2016/17 with no vesting value in the two subsequent years. If this value was spread by reference to the tranches capable of vesting each year, the aggregate total received by EDs would be £148,998 for 2017/18 (i.e. including 30% of the shares that were capable of vesting in connection with the second tranche). On the same basis, the aggregate adjusted total for 2016/17 would be £2,102,404 (i.e. only including the 45% of the shares capable of vesting in connection with the first tranche).

#### BASE SALARY (AUDITED)

Salaries were subject to a review during the year with any increases applying from the salary review date, 1 April 2018.

Clive Jennings received a base salary increase of 1.5%, which was in line with increases awarded to the wider workforce (albeit lower than the average percentage increase). John O'Reilly and Alan Morgan joined the board after the salary review date and therefore their salaries will remain unchanged from appointment until salaries are next reviewed in April 2019:

	1 APRIL 2018	1 APRIL 2017	% CHANGE
Chief executive	<b>£500,000</b>	-	N/A
Finance director	<b>£319,730</b>	£315,000	1.5%
Managing director, retail	<b>£375,000*</b>	-	N/A

\* The total annual bonus awarded to Alan Morgan was £173,541.

#### ANNUAL BONUS PLAN (AUDITED)

The bonus for 2017/18 was based primarily on the following challenging profit-after-tax targets.

PAYOUT	THRESHOLD (0%)	TARGET (50%)	MAXIMUM (100%)	ACTUAL	PAYOUT (% OF MAX)
PAT	<b>£59.9M</b>	<b>£63.0M</b>	<b>£69.3M</b>	<b>£35.9M</b>	<b>0%</b>

Straight line vesting between targets.

Below target performance meant that no payments were made to executive directors under the annual bonus plan on the basis of these financial measures. However, the Committee has discretion under the Policy, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Group or an individual, taking account of any factors it considers relevant.

The Committee exercised such discretion in respect of Clive Jennings, finance director, and awarded a discretionary bonus of £10,000 (3.13% of salary) to reflect his individual performance. The Committee determined to exercise its discretion to award such bonus to Clive, notwithstanding his departure from the Company on 17 August 2018.

Alan Morgan, managing director, retail, received a bonus which was determined in accordance with the arrangement in which he participated prior to becoming an executive director, and reflects his contribution to the financial performance of the Mecca business during the year under review, which exceeded management's expectations. On a simple time-pro-rated basis, £25,675 of the annual bonus awarded to Alan relates to the period for which he was an executive director (7 May to 30 June 2018)\*.

#### LONG-TERM INCENTIVES (AUDITED)

The LTIP is currently the only long-term incentive scheme in place for the executive directors and other senior executives. A single award was made in 2017/18 under the LTIP which covers four years of annual grants.

LTIP awards were granted on 28 June 2018 to John O'Reilly, Clive Jennings and Alan Morgan, based on performance over the four-year period ending 30 June 2021.

DIRECTOR	2017/18 award		
	CHIEF EXECUTIVE (JOHN O'REILLY)	FINANCE DIRECTOR (CLIVE JENNINGS)	MANAGING DIRECTOR, RETAIL (ALAN MORGAN)
Plan	<b>2010 LTIP</b>	<b>2010 LTIP</b>	<b>2010 LTIP</b>
Date of grant	<b>28 JUNE 2018</b>	<b>28 JUNE 2018</b>	<b>28 JUNE 2018</b>
Number of shares comprised in award	<b>1,594,387</b>	<b>764,660</b>	<b>896,843</b>
Performance period			<b>1 JULY 2017 TO 30 JUNE 2021</b>
Earliest vest date for first instalment			<b>1 OCTOBER 2021 (33.3%)</b>
Vest date for second instalment			<b>1 OCTOBER 2022 (33.3%)</b>
Vest date for third instalment			<b>1 OCTOBER 2023 (33.4%)</b>

**DIRECTORS' REMUNERATION REPORT** CONTINUED

70% of the award is subject to financial performance measured over the four financial years to 30 June 2021 with the remaining 30% of the award based on strategic measures relating to individual business units, as detailed below:

**FINANCIAL PERFORMANCE TARGETS**

FINANCIAL PERFORMANCE TARGET	WEIGHTING	Target		Stretch	
		REQUIRED PERFORMANCE	EXTENT OF VESTING OF APPLICABLE PART OF AWARD	REQUIRED PERFORMANCE	EXTENT OF VESTING OF APPLICABLE PART OF AWARD
EPS	40%	21.9P	50%	25.8P OR ABOVE	100%
Digital net gaming revenue	7.5%	£173.9M	50%	£212M OR ABOVE	100%
Digital profit	7.5%	£41.3M	50%	£56.9M OR ABOVE	100%
London revenue	7.5%	£170.3M	50%	£183.6M OR ABOVE	100%
London profit	7.5%	£34.7M	50%	£38.8M OR ABOVE	100%

**STRATEGIC PERFORMANCE TARGETS**

STRATEGIC MEASURE	WEIGHTING
Capital value creation	20%
Digital division	5%
Retail division	5%

The Committee will shortly assign specific targets against each of these strategic measures following completion of the initial phase of the chief executive's transformation programme as outlined on page 20 of the strategic report, and full disclosure will be provided on the targets and achievement against them after the performance assessment of the first tranche.

**HISTORIC CHIEF EXECUTIVE PAY AND TSR CHART (UNAUDITED)**

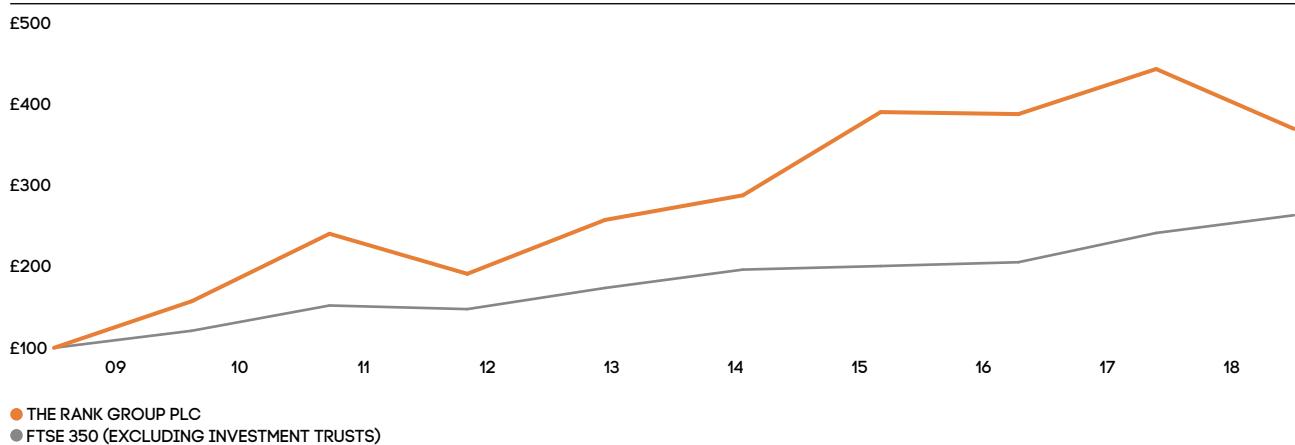
The tables below show former and current chief executive total remuneration over the last nine years and their achieved annual variable and long-term incentive pay awards as a percentage of the plan maximum:

JOHN O'REILLY (FROM 7 MAY 2018)		SINGLE FIGURE OF TOTAL REMUNERATION	ANNUAL CASH BONUS: ACTUAL PAY OUT VS. MAXIMUM OPPORTUNITY	LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY
2017/18	(2 months)	£88,086	0%	N/A
HENRY BIRCH (FROM 6 MAY 2014 UNTIL 7 MAY 2018)		SINGLE FIGURE OF TOTAL REMUNERATION	ANNUAL CASH BONUS: ACTUAL PAY OUT VS. MAXIMUM OPPORTUNITY	LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY
2017/18	(10 months)	£487,006	0.00%	N/A
2016/17	(12 months)	£886,144	63.15%	37.50%
2015/16	(12 months)	£932,639	80.00%	N/A
2014/15	(12 months)	£916,010	87.20%	N/A
2013/14	(2 months)	£81,850	0.00%	N/A
IAN BURKE (UNTIL 16 MAY 2014)		SINGLE FIGURE OF TOTAL REMUNERATION	ANNUAL CASH BONUS: ACTUAL PAY OUT VS. MAXIMUM OPPORTUNITY	LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY
2013/14	(10.5 months)	£663,804	0.00%	0.00%
2012/13	(12 months)	£1,267,489	0.00%	96.25%
2011/12	(18 months)	£3,254,000 <sup>1</sup>	40.00%	100.00%
2010	(12 months)	£1,083,000	63.50%	0.00%

1. This included an exceptional discretionary bonus equal to 100% of base salary to reward exceptional efforts of the then chief executive in creating additional sustainable long-term shareholder value via the transformation of the Company's balance sheet that was paid by three equal instalments in September 2012, April 2013 and December 2013.

The following graph illustrates the Company's total shareholder return ('TSR') performance compared with the FTSE 350 index (excluding investment companies) for the nine years to 30 June 2018. The Committee has selected this index as the Company was a constituent of the FTSE 350 for the entirety of this period.

#### TOTAL SHAREHOLDER RETURN



#### BENEFITS

EXECUTIVE DIRECTOR	COMPANY CAR	OTHER BENEFITS	TOTAL BENEFITS PAID
John O'Reilly*	£3,051	£1,217	£4,268
Henry Birch	£16,974	£8,405	£25,379
Clive Jennings	£12,750	£8,343	£21,093
Alan Morgan*	£1,896	£1,541	£3,437

\* John O'Reilly and Alan Morgan were both appointed as executive directors on 7 May 2018.

#### OTHER PAYMENTS AND OBLIGATIONS (AUDITED)

Henry Birch stepped down from the board on 7 May 2018. His employment terminated on this date and he did not receive any payment in lieu of notice or any payment for loss of office. No other payments were made during the year ended 30 June 2018 to any past director of the Company.

The details of any payments in connection with the termination of Clive Jennings' employment which will be made during the year ended 30 June 2019 will be included in next year's remuneration report.

#### EXTERNAL APPOINTMENTS (UNAUDITED)

Executive directors are not permitted to take up non-executive directorships outside the Group.

#### SHARE OWNERSHIP GUIDELINES AND DIRECTORS' INTERESTS IN SHARES (AUDITED)

Increased share ownership guidelines of 200% of salary for all executive directors were approved at the 2018 general meeting, subject to there being sufficient free float. Executives will have five years from appointment to build up shareholdings.

Shareholdings of directors of the Company and its subsidiaries are not considered to be in public hands for the purposes of determining the sufficiency of the percentage of shares in public hands (the 'free float') in the context of qualification for a listing on the UKLA's premium market. In view of the low level of free float following the completion of Guoco Group Limited's general offer for Rank in July 2011, the non-executive director quarterly share purchase programme and the shareholding guidelines for executive directors and other members of the executive committee who are directors of Rank subsidiary companies were suspended on 14 December 2011. The suspension was lifted on 2 March 2015 when free float was comfortably in excess of 25% but the guidelines were re-suspended on 22 June 2016 pending a restoration of the Company's free float to a higher level. At present, such guidelines remain suspended. For further information with regard to the Company's free float position, please see page 97.

**DIRECTORS' REMUNERATION REPORT** CONTINUED

Directors' shareholdings as at 30 June 2018 are set out in the table below:

NAME	ORDINARY 13%P SHARES AS AT 30 JUNE 2018	ORDINARY 13%P SHARES AS AT 30 JUNE 2017
<b>Non-executive directors</b>		
Chris Bell	0	0
Ian Burke	579,556	763,556
Steven Esom	0	0
Susan Hooper	0	0
Lord Kilmorey	21,100	21,100
Owen O'Donnell <sup>1</sup>	N/A	21,224
Alex Thursby	0	N/A
<b>Executive directors</b>		
John O'Reilly <sup>2</sup>	160,000	N/A
Henry Birch <sup>3</sup>	N/A	100,000
Clive Jennings	119,071	62,500
Alan Morgan <sup>4</sup>	0	N/A

1. Owen O'Donnell stepped down from the board on 19 October 2017.

2. John O'Reilly joined the board on 7 May 2018.

3. Henry Birch stepped down from the board on 7 May 2018.

4. Alan Morgan joined the board on 7 May 2018.

**DILUTION LIMITS**

The LTIP, being the Company's only equity-based incentive plan, incorporates the current Investment Association guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over a 10-year period in relation to the Company's issued share capital, with a further limitation of 5% in any 10-year period for executive plans.

The Committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market-purchased shares are excluded from the calculations. No treasury shares were held or utilised in the year ended 30 June 2018.

**RELATIVE IMPORTANCE OF SPEND ON PAY (UNAUDITED)**

The table below shows the expenditure and percentage change in overall spend on employee remuneration and distributions paid to shareholders through the dividend paid in the year and share buybacks.

	2017/18	2016/17	PERCENTAGE CHANGE
Overall expenditure on pay	£214.3M	£221.1M	(3.5%)
Dividend paid in the year	£29.1M	£26.2M	11.1%
Share buyback	NIL	NIL	N/A

**STATEMENT OF CHANGE IN PAY OF CHIEF EXECUTIVE COMPARED WITH OTHER EMPLOYEES (UNAUDITED)**

The table below sets out the chief executive's base salary, benefits and annual bonus amounts for the year ended 30 June 2018, alongside the average change in gross earnings for all UK employees across the Group.

	Chief executive <sup>1</sup>	All UK employees <sup>2</sup>	
		PERCENTAGE CHANGE (2016/17 VS 2017/18)	PERCENTAGE CHANGE (2016/17 VS 2017/18)
12 MONTHS TO 30 JUNE 2018			
Salary	£496,397	0.20%	N/A
Benefits	£29,648	0.10%	N/A
Bonus	£0	100%	N/A
Gross earnings <sup>3</sup>	£526,045	62.8%	(2.7%)

1. Chief executive pay for 2017/18 is blended between Henry Birch (to 6 May 2018) and John O'Reilly (from 7 May 2018).

2. For the avoidance of doubt 'all UK employees' includes the chief executive. Individual compensation elements for the wider employee population are not readily available to compare separately, hence providing gross earnings as our main comparison metric.

3. Gross earnings excludes insured benefits and pension payments.

**ROLE AND REMIT OF THE COMMITTEE (UNAUDITED)**

The Committee assists the board in setting the remuneration packages for the Company's executive directors and other executive committee members.

The Committee ordinarily has four formally scheduled meetings a year to discuss a rolling agenda of items and additional meetings are convened as necessary.

The Committee's formal terms of reference are available on Rank's website at [www.rank.com/en/investors/corporate-governance/terms-of-reference.html](http://www.rank.com/en/investors/corporate-governance/terms-of-reference.html).

**COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE (UNAUDITED)**

The Committee met on four formally scheduled occasions during the year under review.

**COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE**

NAME	COMMITTEE MEMBER SINCE	ATTENDANCE / ELIGIBILITY TO ATTEND	
Chris Bell	JUNE 2018	0/0	Chris Bell joined the Committee on 27 June 2018
Steven Esom	MARCH 2016	4/4	Steven Esom has been chair of the Committee since 1 March 2016
Susan Hooper	SEPTEMBER 2015	3/4	
Owen O'Donnell	JANUARY 2010	1/1	Owen O'Donnell stepped down from the Committee on 11 September 2017
Alex Thursby	AUGUST 2017	4/4	Alex Thursby joined the Committee on 1 August 2017

Biographical details of the current members of the Committee are set out on pages 54 and 55. The Group company secretary acts as secretary to the Committee.

**COMMITTEE ACTIVITY DURING THE YEAR (UNAUDITED)**

Matters discussed by the Committee during the year included the following:

- the current remuneration policy;
- shareholder feedback on the annual remuneration report;
- April 2018 fixed pay review;
- 2016/17 and 2017/18 annual bonus payments;
- 2018/19 annual bonus plan structure and targets;
- outcome of the 2014/15 to 2016/17 LTIP grant;
- proposed new LTIP grant structure and targets;
- remuneration of new executive directors appointed during 2017/18;
- review and approval of annual remuneration report;
- review and approval of the Company's Gender Pay Gap Report; and
- the Committee's effectiveness.

**ADVISERS TO THE COMMITTEE (UNAUDITED)**

The Committee has access to external information and research on market data and trends from independent consultants. The Committee is advised by New Bridge Street ('NBS'), part of Aon plc, who were appointed as external remuneration advisers to the Committee in January 2017. NBS is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

The chief executive, the company secretary, the finance director and the human resources director provided assistance to the Committee during the year. They attended meetings of the Committee, although none of them were involved in any decision relating to his or her own remuneration.

During the year, the Committee requested NBS to advise on all aspects of our remuneration policy and practice and to review our structures against corporate governance best practice. NBS also provided the TSR performance graph for the directors' remuneration report. NBS was paid fees totalling £77,819 for services provided to the Committee during the year (fees are based on hours spent). NBS did not provide any other services to the Group during the period under review.

**COMMITTEE EVALUATION (UNAUDITED)**

An assessment of the Committee's performance during the year has been postponed. Further details of the decision taken by the board in relation to the evaluation process for the year under review can be found on page 62.

**DIRECTORS' REMUNERATION REPORT CONTINUED****STATEMENT OF SHAREHOLDER VOTING (UNAUDITED)**

The table below shows the voting outcome for the 2016/17 directors' remuneration report at the 2017 annual general meeting, and the voting outcome for the new directors' remuneration policy and LTIP rules at the 2018 general meeting. Votes are shown both including and excluding the Company's majority shareholder:

**2016/17 ANNUAL REPORT ON DIRECTORS' REMUNERATION**

	NO. OF VOTES 'FOR' AND 'DISCRETIONARY'	% OF VOTES CAST	NO. OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NO. OF VOTES CAST	% OF TOTAL SHAREHOLDERS ELIGIBLE TO VOTE	NO. OF VOTES 'WITHHELD'
Including majority shareholder	363,476,271	98.37%	6,032,864	1.63%	369,509,135	94.58%	895,848
Excluding majority shareholder	144,056,050	95.98%	6,032,864	4.02%	150,088,914	87.60%	895,848

**APPROVAL OF DIRECTORS' REMUNERATION POLICY**

	NO. OF VOTES 'FOR' AND 'DISCRETIONARY'	% OF VOTES CAST	NO. OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NO. OF VOTES CAST	% OF TOTAL SHAREHOLDERS ELIGIBLE TO VOTE	NO. OF VOTES 'WITHHELD'
Including majority shareholder	296,837,071	91.41%	27,877,602	8.59%	324,714,673	83.11%	35,361,974
Excluding majority shareholder	77,416,850	73.52%	27,877,602	26.48%	105,294,452	61.46%	35,361,974

**APPROVAL OF LTIP RULES**

	NO. OF VOTES 'FOR' AND 'DISCRETIONARY'	% OF VOTES CAST	NO. OF VOTES 'AGAINST'	% OF VOTES CAST	TOTAL NO. OF VOTES CAST	% OF TOTAL SHAREHOLDERS ELIGIBLE TO VOTE	NO. OF VOTES 'WITHHELD'
Including majority shareholder	302,088,234	93.25%	21,871,133	6.75%	323,959,367	82.92%	36,117,280
Excluding majority shareholder	82,668,013	79.08%	21,871,133	20.92%	104,539,146	61.02%	36,117,280

1. A vote 'withheld' is not a vote in law.

**IMPLEMENTATION OF POLICY IN 2018/19 (UNAUDITED)***Salaries*

Salaries will be reviewed during the year with any changes effective 1 April 2019. Current base salaries are as follows:

- John O'Reilly - £500,000
- Clive Jennings - £319,730
- Alan Morgan - £375,000

*Pension policy*

There will be no change to pension arrangements:

- John O'Reilly – 10% of salary (less lower earnings limited offset)
- Clive Jennings – 15% of salary (less lower earnings limited offset)
- Alan Morgan – 10% of salary (less lower earnings limited offset)

**ANNUAL BONUS**

The maximum bonus potential for the chief executive is 150% of salary and 120% of salary for the finance director and managing director, retail. Performance will continue to be based on stretching profit-after-tax targets. Disclosure of the targets is considered commercially sensitive and therefore will be disclosed retrospectively in next year's report. Any bonus payable in excess of 100% of salary for the chief executive and 80% of salary for the finance director and managing director, retail will be deferred into shares for two years. The remainder will be payable in cash.

**LONG-TERM INCENTIVE**

No awards will be made in FY 2018/19.

**NON-EXECUTIVE DIRECTOR FEES**

Non-executive director annual base and additional fees effective 1 April 2018 comprise:

Base non-executive annual fee	£50,000
Audit committee chair	£9,000
Remuneration committee chair	£7,500
Responsible gambling committee chair*	£3,500
Senior independent director	£2,500

\* Responsible gambling committee chair introduced with effect from 1 April 2018.

**STEVEN ESOM****Chairman of the remuneration committee**

15 August 2018

**DIRECTORS' REPORT**

# DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 30 June 2018.

The Companies Act 2006 ('CA 2006'), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the '2008 Regulations'), the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (April 2016) (the 'Code'), the Financial Conduct Authority's (FCA) Listing Rules (LR) and the FCA's Disclosure Rules and Transparency Rules ('DTR') contain mandatory disclosure requirements in relation to this annual report in respect of the year ended 30 June 2018.

The directors' report should be read in conjunction with the strategic report (which incorporates the Operating responsibly section).

**Strategic report disclosures – Information that the board considers to be of strategic importance which would otherwise need to be disclosed in the directors' report has been included in the strategic report as permitted by Section 414C(11) of the CA 2006.**

References to where that information can be found are provided in the index below.

INFORMATION REQUIRED IN THE DIRECTORS' REPORT WHICH HAS BEEN DISCLOSED WITHIN THE STRATEGIC REPORT	LOCATION IN STRATEGIC REPORT	PAGE No
Business description	Group at a glance	-
Business objectives, strategies and likely future developments	Strategic and key performance indicators	24
Corporate responsibility: employees and community	Operating responsibly	28-33
Diversity	Operating responsibly	31
Dividends	Chairman's letter	15
Employment of disabled persons	Operating responsibly	32
Employee engagement	Operating responsibly	31
Going concern and viability statement	Risk assessment	43
Greenhouse gas emissions	Operating responsibly	33
Principal risks and uncertainties	Principal risks and uncertainties	44
Profits	Financial review	39
Research and development	Strategy and key performance indicators	24

## DISCLOSURES REQUIRED UNDER LR 9.8.4 R

For the purpose of LR 9.8.4C R, details of the existence of the controlling shareholder relationship agreement, required to be disclosed in accordance with LR 9.8.4 R, can be found on page 96. There are no other disclosures required under this Listing Rule.

## DIRECTORS

The directors who served during the period under review are:

NAME	POSITION
Ian Burke	Chairman
Chris Bell	Senior independent director
Henry Birch <sup>1</sup>	Chief executive
Steven Esom	Non-executive director
Susan Hooper	Non-executive director
Clive Jennings	Finance director
Lord Kilmorey	Non-executive director
Alan Morgan <sup>2</sup>	Managing director, retail
Owen O'Donnell <sup>3</sup>	Non-executive director
John O'Reilly <sup>4</sup>	Chief executive
Alex Thursby <sup>5</sup>	Non-executive director

1. Henry Birch stepped down from the board on 7 May 2018.

2. Alan Morgan was appointed on 7 May 2018.

3. Owen O'Donnell stepped down from the Board on 19 October 2017.

4. John O'Reilly was appointed on 7 May 2018.

5. Alex Thursby was appointed on 1 August 2017.

**DIRECTORS' REPORT** CONTINUED**INCORPORATION AND REGISTERED OFFICE**

The Rank Group Plc is incorporated in England and Wales under company registration number 03140769. Its registered office is at TOR, Saint-Cloud Way, Maidenhead SL6 8BN.

**STOCK MARKET LISTING**

The ordinary shares of the Company have been listed on the Official List and traded on the main market of the London Stock Exchange for listed securities since 7 October 1996 (Share Code: RNK and ISIN: GB00B1L5QH97). This is classified as a premium listing. The share registrar is Equiniti Limited.

**SHARE CAPITAL**

The Company's authorised share capital as at 30 June 2018 was £180m (£180m as at 30 June 2017), divided into 1,296,000,000 ordinary shares of 13½p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. There were 390,683,521 shares in issue at the period end (390,683,521 as at 30 June 2017), which were held by 10,109 registered shareholders (10,380 as at 30 June 2017).

**DISTRIBUTION OF REGISTERED SHAREHOLDERS AS AT 30 JUNE 2018**

RANGE	TOTAL NO. OF REGISTERED SHAREHOLDERS	% OF HOLDERS	TOTAL NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 – 1,000	<b>8,591</b>	<b>84.98</b>	<b>1,596,680</b>	<b>0.41</b>
1,001 – 5,000	<b>1,139</b>	<b>11.27</b>	<b>2,361,830</b>	<b>0.61</b>
5,001 – 10,000	<b>125</b>	<b>1.24</b>	<b>876,811</b>	<b>0.22</b>
10,001 – 100,000	<b>169</b>	<b>1.67</b>	<b>5,222,462</b>	<b>1.34</b>
100,001 – 1,000,000	<b>63</b>	<b>0.62</b>	<b>19,264,838</b>	<b>4.93</b>
1,000,001 and above	<b>22</b>	<b>0.22</b>	<b>361,360,900</b>	<b>92.49</b>
Totals	<b>10,109</b>	<b>100.00%</b>	<b>390,683,521</b>	<b>100.00%</b>

**SIGNIFICANT SHAREHOLDERS**

Hong Leong Company (Malaysia) Berhad ('Hong Leong'), the ultimate parent company of Guoco Group Limited ('Guoco'), has a controlling interest in Rank consequent upon the general offer made by its Hong-Kong-listed subsidiary company, Guoco, via its wholly-owned subsidiary, Rank Assets Limited (then known as All Global Investments Limited), and which completed on 15 July 2011. As at 30 June 2018 and as at the date of this report, Hong Leong's interest is held as follows:

- 52.03% – Rank Assets Limited, a wholly-owned subsidiary of Guoco;
- 4.05% – GuoLine Overseas Limited, Guoco's immediate parent company; and
- 0.08% – Hong Leong Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong.

Hong Leong Group is a leading conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investments and hospitality and leisure. Further information on the Hong Leong group of companies can be found at [www.hongleong.com](http://www.hongleong.com).

Guoco is an investment holding company. The principal activities of its subsidiaries and associated companies include investment, property development, financial services and hospitality and leisure. Further information on the Guoco group of companies can be found at [www.guoco.com](http://www.guoco.com).

On 10 November 2014 Rank entered into an agreement with Hong Leong and Guoco (together the 'Controlling Shareholder') in accordance with the requirements of LR 9.2.2A R(2)(a) (the 'Relationship Agreement'). During the period under review Rank has complied with the independence provisions included in the Relationship Agreement and, so far as Rank is aware, the independence provisions included in the Relationship Agreement have been complied with during the period under review by the Controlling Shareholder and its associates. So far as Rank is aware, the procurement obligations included in the Relationship Agreement have been complied with during the period under review by the Controlling Shareholder.

*Interests of 3% or more*

As at 30 June 2018 and 31 July 2018 the following interests of 3% or more of the total voting rights attached to ordinary shares have been disclosed in response to Section 793 of the CA 2006 notices issued by the Company.

SHAREHOLDER	As at 30 June 2018		As at 31 July 2018	
	% HELD	VOTING RIGHTS	% HELD	VOTING RIGHTS
Hong Leong Co. (Malaysia) Berhad	<b>56.16%</b>	<b>219,420,221</b>	<b>56.16%</b>	<b>219,420,221</b>
Ameriprise Financial, Inc. and its group of companies (Threadneedle Retail Funds - Linked Strategies)	<b>9.10%</b>	<b>35,560,451</b>	<b>9.10%</b>	<b>35,560,451</b>
Prudential plc and subsidiary companies	<b>8.30%</b>	<b>32,440,822</b>	<b>7.76%</b>	<b>30,319,701</b>
JO Hambro Capital Management	<b>4.62%</b>	<b>18,055,831</b>	<b>4.62%</b>	<b>18,055,831</b>

The following interests of 3% or more of the total voting rights attached to ordinary shares have been notified to the Company in accordance with the FCA's DTRs. Due to the fact that the DTRs only require notification where the percentage voting rights reach, exceed or fall below 3% and each 1% threshold above 3%, there is a difference between disclosures made pursuant to the DTRs and those disclosed in responses to Section 793 of the CA 2006 notices issued by the Company as set out above.

SHAREHOLDER	As per FCA DTRs disclosures as at 15 August 2018		
	DATE LAST NOTIFIED UNDER DTR	% HELD	VOTING RIGHTS
Hong Leong Co. (Malaysia) Berhad	28 JULY 2015	56.09%	219,120,221
Ameriprise Financial, Inc. and its group of companies	10 DEC 2015	7.65%	29,870,389
Prudential plc and subsidiary companies	9 MAR 2012	5.85%	22,878,293
Artemis Investment Management LLP	31 MAY 2017	4.94%	19,287,793
JO Hambro Capital Management	-	-	-

Under Listing Rule 6.1.19 R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being in public hands (the 'free float'). Under this rule, the shares held by Hong Leong, Ameriprise and Prudential are not regarded as being in public hands. The Company's free float position as at 30 June 2018 was 25.75%.

**RIGHTS AND RESTRICTIONS ATTACHING TO SHARES***Voting rights*

Each ordinary share carries the right to one vote at general meetings of the Company.

*Meeting rights*

Registered holders of ordinary shares are entitled to attend and speak at general meetings and to appoint proxies.

*Information rights*

Holders of ordinary shares are entitled to receive the Company's annual report and financial statements.

*Share transfer restrictions*

There are no specific restrictions on the transfer of shares contained in the Company's articles of association.

The Company is not aware of any agreements between the holders of Rank shares that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

*Variation of rights*

Subject to applicable legislation, the rights attached to Rank's ordinary shares may be varied with the written consent of the holders of at least three-quarters in nominal value of those shares, or by a special resolution passed at a general meeting of the ordinary shareholders.

**DIRECTORS' POWERS IN RELATION TO SHARES***Allotment and issue of shares*

Subject to the provisions of the CA 2006, and subject to any resolution passed by the Company pursuant to the CA 2006 and other shareholder rights, shares in Rank may be issued with such rights and restrictions as the Company may by ordinary resolution decide. If there is no such resolution or so far as the Company does not make specific provision, they may be issued as Rank's board of directors may decide. Subject to the Company's articles of association, the CA 2006 and other shareholder rights, unissued shares are at the disposal of the board.

The Company currently has no shareholder authority to allot and grant rights over any proportion of the Company's unissued share capital, nor does it have shareholders' authority to allot and grant rights over ordinary shares without first making a pro rata offer to all existing ordinary shareholders. Neither of these authorities is required for the purpose of allotting shares pursuant to employee share schemes. Since the board has no present intention of allotting shares for any other reason, these shareholder authorities will not be sought at the forthcoming annual general meeting.

*Market purchases of own shares*

The Company currently has shareholder authority to make market purchases of its own shares to a maximum of 39,068,352 ordinary shares, which power applies until the end of the forthcoming AGM. Shareholder approval will be sought at the 2018 AGM to obtain the authority again for one year.

*Directors' other powers*

Subject to legislation, the directors may exercise all the powers permitted by the Company's memorandum and articles of association. A copy of these can be obtained by writing to the company secretary, or from Companies House.

*Change of control*

Our principal term loan and credit facility agreements contain provisions that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees to vest in the event of a takeover.

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005, Alderney eGambling Regulations 2009 (as amended), the Belgian Games of Chance Act 1999 (as amended) and the Spanish Gaming Act 2011.

*Political donations*

No political donations were made during the period under review.

It has been Rank's long-standing practice not to make cash payments to political parties and the board intends that this will remain the case. However, the CA 2006 is very broadly drafted and could catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, as in previous years, the directors will be seeking shareholders' authority for political donations and political expenditure at the forthcoming annual general meeting in case any of Rank's activities are inadvertently caught by the legislation.

By order of the board

**LUISA WRIGHT**

Company Secretary

15 August 2018

**DIRECTORS' RESPONSIBILITIES**

# DIRECTORS' RESPONSIBILITIES

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

The directors are responsible for preparing the annual report (including the directors' report, the strategic report, the directors' remuneration report and the corporate governance statement) and the financial statements of the Group and the Company, in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union. As permitted by the Companies Act 2006, the directors have elected to prepare the Company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Group and Company financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Company;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and final performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

**ACCOUNTING RECORDS**

The directors must keep proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and ensure that the Group financial statements comply with the Companies Act 2006 and, for the Group financial statements, Article 4 of the International Accounting Standard (IAS) Regulation.

**SAFEGUARDING ASSETS**

The directors are also accountable for safeguarding the assets of the Company and the Group and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

**CORPORATE WEBSITE**

The maintenance and integrity of Rank's corporate website, on which this annual report and financial statements are published, is the board's responsibility. We would draw attention to the fact that legislation in the UK on the preparation and publication of financial statements may differ from that in other jurisdictions.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The annual report and financial statements are the responsibility of, and have been approved by, the directors.

Each of the directors named on pages 54 and 55 confirms that to the best of his/her knowledge:

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties that they face.

On behalf of the Board

**JOHN O'REILLY**

Chief Executive

*15 August 2018*

**CLIVE JENNINGS**

Finance Director

*15 August 2018*

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## **FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF THE RANK GROUP PLC****OPINION**

In our opinion:

- The Rank Group Plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of The Rank Group Plc which comprise:

<b>GROUP</b>	<b>PARENT COMPANY</b>
• Balance sheet as at 30 June 2018	• Balance sheet as at 30 June 2018
• Group income statement for the year then ended	• Statement of changes in equity for the year then ended
• Group statement of comprehensive income for the year then ended	• Statement of cash flows for the year then ended
• Statement of changes in equity for the year then ended	• Related notes 1 to 34 to the financial statements including a summary of significant accounting policies
• Statement of cash flow for the year then ended	
• Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 42 to 46 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 42 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 43 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 43 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	<ul style="list-style-type: none"> <li>• Impairment of tangible and intangible assets and adequacy of property lease provisions</li> <li>• Indirect tax risk exposure</li> <li>• Exceptional items</li> <li>• Revenue recognition including the risk of management override</li> <li>• Compliance with Laws and Regulations</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 17 components.</li> <li>• The components where we performed full or specific audit procedures accounted for 99% (2016/17:100%) of Profit before tax adjusted for exceptional items, 100% (2016/17: 100%) of Revenue and 100% (2016/17: 100%) of Total assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of £3.7million which represents 5% of profit before tax adjusted for exceptional items.</li> </ul>

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## CHANGES FROM THE PRIOR YEAR

Given that the legal and licencing framework for digital gaming remains an area of focus for the UK Gambling Commission, we have included compliance with laws and regulations as a Key audit matter.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
<b>Impairment of tangible and intangible assets and adequacy of property lease provisions</b>  Refer to the Audit Committee Report (page 67); Accounting policies (page 120); and Note 12 of the Consolidated Financial Statements (page 133)  At 30 June 2018 the carrying value of tangible and intangible assets was £630.6 million (2016/17: £599.4 million), £406.7 million of which relate to indefinite life intangible assets (primarily casino and other gaming licences) or goodwill.	<p>Overall Group level:</p> <p>We updated our understanding of management's annual impairment testing process.</p> <p>We ensured that the methodology of the impairment exercise continues to be consistent with the requirements of IAS 36 Impairment of Assets as well as checked the mathematical accuracy of the models.</p> <p>The audit team focussed on completing audit work on the key judgements used by management and work performed in conducting their impairment review and challenged the conclusions reached.</p>	<p>The net impairment charge of £12.1 million is appropriately recognised.</p> <p>We highlighted that a reasonably possible change in certain key assumptions including future cash flows, growth rates and earnings multiples underpinning the forecasts for certain CGUs could lead to additional impairment.</p>
<b>Impairment of tangible and intangible assets</b>  In accordance with IAS 36 Impairment of Assets, management disclosed that in addition to the impairment charge of £13.9 million (£10.5m in relation to tangible assets and £3.4m to intangible assets) and impairment reversal of £1.8 million (£0.6m in relation to tangible assets and £1.2m in relation to intangible assets), a reasonably possible change in customer visits, win margins or spend per head could lead to impairments in other Cash Generating Units ('CGU') where no impairment is currently recognised. This is an area of focus due to the significance of the carrying value of the assets being assessed and due to the level of management judgement required in the assumptions impacting the impairment assessment. The main assumptions are the future results of the business including future cash flows, growth rates and earnings multiples applied to cash flows as well as discount rates.	<p>Below we summarise the procedures performed in relation to the key judgements for the tangible and intangible assets impairment review.</p> <ul style="list-style-type: none"> <li>• We analysed management's forecasts underlying the impairment review against current performance and economic forecasts and corroborate them back to budgets approved by the Board thus providing support that the forecasts utilised are reasonable and align to expected results.</li> <li>• Critically challenged management's historical accuracy of forecasting through comparing prior year actual performance against forecast performance and corroborating the reasons for deviations.</li> <li>• We also performed sensitivity analysis on earnings multiples for all CGUs and growth rates applied to cash flows for certain CGUs to determine the parameters that should they arise, may give a different conclusion as to the carrying value of assets assessed.</li> </ul> <p><b>In addition, we worked with our EY internal corporate finance valuation specialists to:</b></p> <ul style="list-style-type: none"> <li>• Validate and corroborate the discount rates to supporting evidence and corroborated these to industry averages/trends</li> <li>• Independently calculated the discount rates that should be applied in the impairment model.</li> </ul> <p><b>Additional procedure performed at each CGU level:</b></p> <ul style="list-style-type: none"> <li>• We compared the individual CGU projections to historic performance and observable external trends and corroborated the reasons for deviations to third party evidence as appropriate.</li> </ul>	<p>The net impairment charge of £12.1 million is appropriately recognised.</p> <p>We highlighted that a reasonably possible change in certain key assumptions including future cash flows, growth rates and earnings multiples underpinning the forecasts for certain CGUs could lead to additional impairment.</p>

## INDEPENDENT AUDITOR'S REPORT CONTINUED

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
<b>Property lease provisions</b> In addition, the Group holds a provision for property leases of £36.0 million (2016/17: £24.6 million) for unoccupied properties and properties which are trading at a loss. In accordance with IAS 37, management recognised a charge of £12.8 million for additional provisions. In determining the appropriate level of provision required, management judgement is required in assessing whether the costs provided represent the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. There is further judgement in relation to the amount of sub-let income and period for which sub-let income can be obtained where properties are vacant or the extent to which lease obligations are covered by earnings generated. We therefore consider there is a higher likelihood that a material misstatement could arise as there is a risk that these provisions may be incorrectly valued.	<b>Procedures in relation to Property lease provisions:</b> We understood management's process for identifying onerous leases and validated that the inputs to the calculations for onerous lease provisions were appropriate. Below we summarise the procedures performed in relation to the key judgements and validation of inputs, this included: <ul style="list-style-type: none"><li>• Checked underlying calculations and agreed key inputs to third party evidence including lease agreements and invoices for rent and rates.</li><li>• Assessed the period and recoverability of sub-let income included in the provision.</li><li>• Compared forecast earnings per CGU to historic performance, to determine whether appropriate provision had been made.</li><li>• Assessed whether the appropriate discount rate had been applied by checked the discount rate to external market data.</li></ul>	We concluded that the property provisions recognised are appropriate.
<b>Indirect tax risk exposure (£213.9 million contributed to indirect taxes, 2016/17: £224.3 million)</b> Refer to the Audit Committee Report (page 68); Accounting policies (page 121); and Note 21 of the Consolidated Financial Statements (page 143) Indirect tax is a complex area in the betting and gaming industry, specifically with reference to VAT relating to Partial exemption, Gaming Duty, Remote Gaming Duty, Bingo Duty and other indirect duties. We focus on this to ensure that all changes to legislation and rates levied have been correctly applied. Given the judgement in estimating amounts payable to regulatory authorities in certain jurisdictions there is a risk that additional liabilities are not identified and thus amounts recorded related to indirect taxation are understated.	<ul style="list-style-type: none"><li>• We updated our understanding of the process for preparing the partial exemption calculation, and assessed the controls that management has in place to prevent and detect errors in this calculation.</li><li>• We worked with our EY indirect taxation specialists to assist us in inspecting the technical support for indirect tax submissions.</li><li>• To corroborate management's position in relation to uncertain tax positions, we reviewed correspondence received from tax authorities during the period. This further aids our completeness assessment. We have further involved our specialists in assessing the implications of matters subject to correspondence received from tax authorities.</li><li>• Performed a completeness review of effected changes in indirect tax legislation and discussed all changes with management to ensure that they had been appropriately considered and where relevant reflected within the financial statements.</li></ul>	We conclude that the positions taken by management are appropriate and accurately reflected in the financial results and appropriate disclosure
<b>Exceptional items (£27.5 million, 2016/17: £1.0 million credit)</b> Refer to the Audit Committee Report (page 67); Accounting policies (page 121); and Note 4 of the Consolidated Financial Statements (page 125) The application of the Group's accounting policy for exceptional items requires judgement by management and careful consideration needs to be given to the nature and magnitude of these items to ensure consistency in approach between periods. Due to the magnitude and volatility within the disclosure judgement is exercised by management in determining the classification of items as 'adjusting items', we consider there to be a potential for inappropriate classification of costs as exceptional items. In the current year management have recognised net exceptional charge of £27.5 million comprising of a net charge of property provisions of £12.8 million, net impairment charge of £12.1 million, restructuring costs of £1.6 million, Acquisition related costs of £0.4 million and finance costs of £0.6 million.	We agreed material exceptional items to supporting documentation. We also validated that the exceptional items are classified as such in accordance with the Group's accounting policy. We also performed an assessment of costs that had been included within the exceptional restructuring charge to validate that they were associated to the restructuring and therefore classified appropriately as an exceptional item.	Exceptional items have been disclosed in accordance with the Group's accounting policy.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
<p><b>Revenue recognition (£691.0m, 2016/17: £707.2m)</b></p> <p>Refer to the Audit Committee Report (page N/A); Accounting policies (page 117); and Note 2 of the Consolidated Financial Statements (page 122)</p> <p>Our assessment is that the significant majority of revenue transactions, for both the venues and digital businesses, are non-complex, with no judgement applied over the amount recorded. We consider there is a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue.</p> <p>Revenue could be inaccurately stated as a result.</p>	<p>Our procedures were designed to corroborate our assessment that revenue should be closely correlated to cash banked (for the Retail business), and to customer balances and cash (for the Digital business), and to identify the manual adjustments that are made to revenue for further testing.</p> <p>We updated our understanding of the revenue processes and tested certain key financial and IT controls over the recognition and measurement of revenue.</p> <p>We used our computer aided analytics tools to perform a correlation analysis to identify the extent to which revenue was linked to cash (for UK venues) and customer balances (for Digital), then investigated and obtained explanations for those items above a specified threshold where this was not the case.</p> <p>We also verified the recognition and measurement of revenue by tracing a sample of transactions, selected at random, throughout the year to cash banked to verify the accuracy of reported revenue. For venues, we attended and re-performed cash counts at a sample of twenty four casino and bingo venues, selected using a risk based approach and also included a random sample, at year end to verify the appropriate cut-off of revenue.</p> <p>For Digital, we reconciled the year-end customer balances to the system report, which was tested for completeness and accuracy.</p> <p>Using data extracted from the accounting system, we tested the appropriateness of journal entries impacting revenue, as well as other adjustments made in the preparation of the financial statements. We identified and tested specific journals such as those manually posted directly to revenue, outside of expected hours, or by unexpected individuals and for large or unusual amounts.</p>	<p>We concluded that revenue recognition, and adjustments to revenue, are appropriate.</p>
<p><b>Compliance with laws and regulations</b></p> <p>Refer to the Audit Committee Report (page 64); Accounting policies (page N/A); and Note N/A of the Consolidated Financial Statements (page N/A)</p> <p>The legal and licensing framework for Digital gaming remains an area of focus for the UK Gambling Commission with plans in the coming year to review the sufficiency of the applicable provisions in the current License Conditions and Codes of Practice which also covers responsible gambling.</p> <p>The evolving environment, with territory specific regulations, makes compliance an increasingly complex area with potential for fines and or licence withdrawal for non-compliance. Operators are further required to meet anti-money laundering obligations.</p>	<p>We have understood the Group's process and related controls over the identification and mitigation of regulatory and legal risks and the related accounting.</p> <p>We reviewed regulatory correspondence and enquiries made through the year, management's response and their assessment of potential exposure as at 30 June 2018.</p> <p>We inquired of management and in house counsel, about any instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals to be recorded.</p> <p>Where provisions have been raised, we have assessed management best estimate for the provisions against available external and internal support.</p>	<p>We concluded that management have appropriately assessed the financial implications for non-compliance with laws and regulations.</p>

## INDEPENDENT AUDITOR'S REPORT CONTINUED

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

## TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the thirty five reporting components of the Group, we selected twenty-three components covering entities within the United Kingdom, Alderney, Spain, Belgium and Gibraltar, which represent the principal business units within the Group.

Of the twenty-three components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining seventeen components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

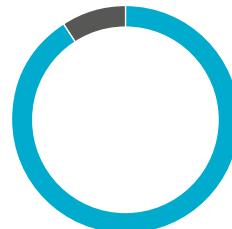
Of the remaining twelve components that together represent 1% of the Group's profit before tax adjusted for exceptional items, none are individually greater than 0.7% of the Group's profit before tax adjusted for exceptional items. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

TOTAL PROFIT BEFORE TAX  
ADJUSTED FOR EXCEPTIONAL  
ITEMS COVERAGE CY/(PY)

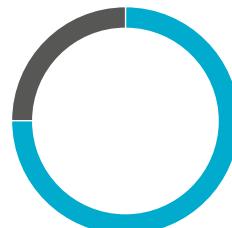
FULL SCOPE COMPONENTS	63% (62%)
SPECIFIC SCOPE COMPONENTS	36% (38%)
REVIEW SCOPE COMPONENTS	1% (-%)

## TOTAL REVENUE COVERAGE CY/(PY)



FULL SCOPE COMPONENTS	91% (91%)
SPECIFIC SCOPE COMPONENTS	9% (9%)
REVIEW SCOPE COMPONENTS	-% (-%)

## TOTAL ASSETS COVERAGE CY/(PY)



FULL SCOPE COMPONENTS	75% (81%)
SPECIFIC SCOPE COMPONENTS	25% (19%)
REVIEW SCOPE COMPONENTS	-% (-%)

## CHANGES FROM THE PRIOR YEAR

Our scoping remains unchanged from the prior year with the exception of the allocation of a specific scope audit for Bingosoft plc, since the YoBingo Group was acquired during the year.

## INTEGRATED TEAM STRUCTURE

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component under our instruction. Of the six full scope components, audit procedures were performed on all six of these directly by the primary audit team. For the seventeen specific scope components, specific audit procedures were performed directly by the audit team for nine of these components.

The remaining eight specific components contributing 4% of Profit before tax adjusted for exceptional items, 5% of revenue and 5% of total assets are based in Spain where the work was performed by component auditors.

In relation to the specific scope component in Spain, the Senior Statutory Auditor was also involved in the risk assessment and determining which accounts were in scope and attended the audit closing meeting by conference call, made specific enquiries of local management and reviewed the summary audit findings reported by the local audit team.

## OUR APPLICATION OF MATERIALITY

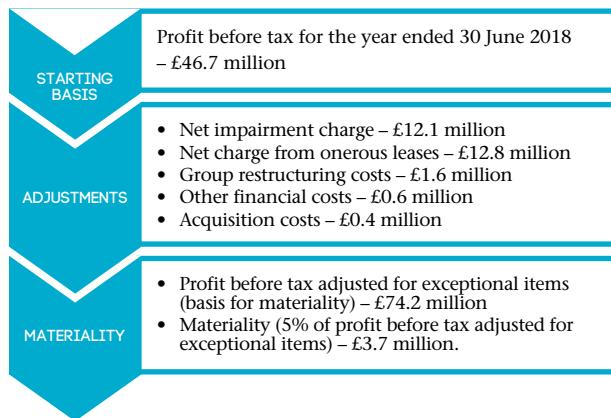
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.7 million (2016/17: £3.9 million), which is 5% (2016/17: 5%) of profit before tax adjusted for exceptional items. We consider this to be the most relevant performance measure to stakeholders and is the primary measure of earnings.

We determined materiality for the Parent Company to be £5.3 million (2016/17: £5.8 million), which is 1% (2016/17: 1%) of equity. The Parent Company has a higher materiality than the Group as the basis of determining materiality are different. The Parent Company is a non-trading entity and as such, equity is the most relevant measure to the stakeholders of the entity.



### PERFORMANCE MATERIALITY

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016/17: 50%) of our planning materiality, namely £1.9m (2016/17: £2.0m). We have set performance materiality at this percentage to take into account the inherently high risk nature of the industry in which the Group operates. We have also taken into consideration changes within the Group and the impact this could have on the operations of the Group. Our objective in adopting this approach was to conclude that undetected audit differences in all accounts did not exceed our planning materiality level.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4 million to £1.0 million (2016/17: £0.1m to £1.1m).

### REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2016/17: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 99, including the five year review set out on page 154 and the shareholder information set out on pages 155 to 156. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 99 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 63 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 58 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**INDEPENDENT AUDITOR'S REPORT CONTINUED**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

**RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement set out on page 99, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## OUR APPROACH WAS AS FOLLOWS:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, the UK Gambling Commission, Gambling Act 2005, Money Laundering regulations, The Alderney Gambling Control Commission and License Conditions & The Code of Practice 2008. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to data protection.
- We have included 'compliance with laws and regulations' as a key audit matter and our audit response to the legal and licensing framework for digital gaming is set out above.
- We understood how The Rank Group Plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations, enquiries of the Director of Legal Services and enquiries of management.
- The Group operates in the gaming industry which is a highly regulated environment. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.
- As the gaming industry is highly regulated, we have obtained an understanding of the regulations and the potential impact on the Group and in assessing the control environment we have considered the compliance of the Group to these regulations as part of our audit procedures, which included a review of correspondence received from the regulator.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/> auditorsresponsibilities. This description forms part of our auditor's report.

## OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the company on 22 April 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 30 December 2010 to 30 June 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

## USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## JULIE CARLYLE (SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

15 August 2018

### Notes:

1. The maintenance and integrity of the Rank Group Plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**GROUP INCOME STATEMENT** FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	YEAR ENDED 30 JUNE 2018			YEAR ENDED 30 JUNE 2017		
		BEFORE EXCEPTIONAL ITEMS £M	EXCEPTIONAL ITEMS (NOTE 4) £M	TOTAL £M	BEFORE EXCEPTIONAL ITEMS £M	EXCEPTIONAL ITEMS (NOTE 4) £M	TOTAL £M
<b>Continuing operations</b>							
Revenue before adjustment for customer incentives	2	<b>741.1</b>	–	<b>741.1</b>	755.1	–	755.1
Customer incentives	2	(50.1)	–	(50.1)	(47.9)	–	(47.9)
Revenue	2	<b>691.0</b>	–	<b>691.0</b>	707.2	–	707.2
Cost of sales		(376.6)	–	(376.6)	(391.4)	–	(391.4)
Gross profit		<b>314.4</b>	–	<b>314.4</b>	315.8	–	315.8
Other operating costs		(237.4)	(26.9)	(264.3)	(232.3)	1.0	(231.3)
Group operating profit (loss)	2,3	<b>77.0</b>	(26.9)	<b>50.1</b>	83.5	1.0	84.5
Financing:							
• finance costs		(3.0)	(0.3)	(3.3)	(4.4)	–	(4.4)
• finance income		0.3	–	0.3	0.2	–	0.2
• other financial losses		(0.1)	(0.3)	(0.4)	(0.6)	–	(0.6)
Total net financing charge	5	(2.8)	(0.6)	(3.4)	(4.8)	–	(4.8)
Profit (loss) before taxation		<b>74.2</b>	(27.5)	<b>46.7</b>	78.7	1.0	79.7
Taxation	6	(15.7)	4.9	(10.8)	(15.6)	(1.2)	(16.8)
<b>Profit (loss) for the year</b>		<b>58.5</b>	(22.6)	<b>35.9</b>	63.1	(0.2)	62.9
<b>Attributable to:</b>							
Equity holders of the parent		<b>58.5</b>	(22.6)	<b>35.9</b>	63.1	(0.2)	62.9
Earnings (loss) per share attributable to equity shareholders							
• basic	9	<b>15.0p</b>	(5.8)p	<b>9.2p</b>	16.2p	(0.1)p	16.1p
• diluted	9	<b>15.0p</b>	(5.8)p	<b>9.2p</b>	16.1p	(0.1)p	16.0p

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

**GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Comprehensive income:</b>			
Profit for the year		<b>35.9</b>	62.9
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments net of tax		<b>0.8</b>	2.3
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on retirement benefits net of tax	28	<b>0.1</b>	(0.6)
<b>Total comprehensive income for the year</b>		<b>36.8</b>	64.6
<b>Attributable to:</b>			
Equity holders of the parent		<b>36.8</b>	64.6

The tax effect of items of comprehensive income is disclosed in note 6.

**BALANCE SHEETS AT 30 JUNE 2018**

	NOTE	GROUP		COMPANY	
		AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	10	<b>459.1</b>	411.5	–	–
Property, plant and equipment	11	<b>171.5</b>	187.9	–	–
Investments in subsidiaries	13	–	–	<b>1,131.8</b>	1,394.8
Other investments	13	<b>3.5</b>	–	–	–
Deferred tax assets	20	<b>0.4</b>	0.1	–	–
Other receivables	15	<b>3.7</b>	6.5	–	–
		<b>638.2</b>	606.0	<b>1,131.8</b>	1,394.8
<b>Current assets</b>					
Inventories	14	<b>2.5</b>	2.8	–	–
Other receivables	15	<b>29.2</b>	25.3	–	–
Income tax receivable	17	–	0.3	–	–
Cash and short-term deposits	24	<b>50.4</b>	79.0	<b>0.4</b>	0.4
		<b>82.1</b>	107.4	<b>0.4</b>	0.4
<b>Total assets</b>		<b>720.3</b>	713.4	<b>1,132.2</b>	1,395.2
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	16	<b>(153.1)</b>	(128.9)	<b>(0.1)</b>	(1.7)
Income tax payable	17	<b>(10.3)</b>	(12.7)	–	–
Financial liabilities					
– financial guarantees	18	–	–	<b>(1.7)</b>	(0.9)
– loans and borrowings	18	<b>(54.2)</b>	(34.6)	<b>(353.6)</b>	(861.5)
Provisions	21	<b>(8.0)</b>	(10.0)	<b>(0.2)</b>	(0.3)
		<b>(225.6)</b>	(186.2)	<b>(355.6)</b>	(864.4)
<b>Net current liabilities</b>		<b>(143.5)</b>	(78.8)	<b>(355.2)</b>	(864.0)
<b>Non-current liabilities</b>					
Trade and other payables	16	<b>(30.6)</b>	(31.8)	–	–
Financial liabilities					
– loans and borrowings	18	<b>(5.5)</b>	(57.0)	–	–
Deferred tax liabilities	20	<b>(24.4)</b>	(19.9)	–	–
Provisions	21	<b>(33.6)</b>	(23.7)	<b>(1.0)</b>	(1.0)
Retirement benefit obligations	28	<b>(4.1)</b>	(4.2)	–	–
		<b>(98.2)</b>	(136.6)	<b>(1.0)</b>	(1.0)
<b>Total liabilities</b>		<b>(323.8)</b>	(322.8)	<b>(356.6)</b>	(865.4)
<b>Net assets</b>		<b>396.5</b>	390.6	<b>775.6</b>	529.8
<b>Capital and reserves attributable to the Company's equity shareholders</b>					
Share capital	22	<b>54.2</b>	54.2	<b>54.2</b>	54.2
Share premium		<b>98.4</b>	98.4	<b>98.4</b>	98.4
Capital redemption reserve		<b>33.4</b>	33.4	<b>33.4</b>	33.4
Exchange translation reserve		<b>16.6</b>	15.8	–	–
Unrealised profit reserve		–	–	–	159.8
Retained earnings		<b>193.9</b>	188.8	<b>589.6</b>	184.0
<b>Total shareholders' equity</b>		<b>396.5</b>	390.6	<b>775.6</b>	529.8

The profit for the year ended 30 June 2018 for the Company was £275.9m (year ended 30 June 2017: loss of £17.1m).

These financial statements were approved by the board on 15 August 2018 and signed on its behalf by:

**JOHN O'REILLY**, Chief Executive  
**CLIVE JENNINGS**, Finance Director

**STATEMENTS OF CHANGES IN EQUITY** FOR THE YEAR ENDED 30 JUNE 2018

GROUP	SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	EXCHANGE TRANSLATION RESERVE £M	RETAINED EARNINGS (LOSSES) £M	TOTAL £M
At 1 July 2016	54.2	98.4	33.4	13.5	153.1	352.6
<b>Comprehensive income:</b>						
Profit for the year	–	–	–	–	62.9	62.9
<b>Other comprehensive income:</b>						
Exchange adjustments net of tax	–	–	–	2.3	–	2.3
Actuarial loss on retirement benefits net of tax	–	–	–	–	(0.6)	(0.6)
Total comprehensive income for the year	–	–	–	2.3	62.3	64.6
<b>Transactions with owners:</b>						
Dividends paid to equity holders (see note 8)	–	–	–	–	(26.2)	(26.2)
Refund of unclaimed dividends (see note 8)					0.2	0.2
Debit in respect of employee share schemes including tax	–	–	–	–	(0.6)	(0.6)
At 30 June 2017	54.2	98.4	33.4	15.8	188.8	390.6
<b>Comprehensive income:</b>						
Profit for the year	–	–	–	–	35.9	35.9
<b>Other comprehensive income:</b>						
Exchange adjustments net of tax	–	–	–	0.8	–	0.8
Actuarial gain on retirement benefits net of tax	–	–	–	–	0.1	0.1
Total comprehensive income for the year	–	–	–	0.8	36.0	36.8
<b>Transactions with owners:</b>						
Dividends paid to equity holders (see note 8)	–	–	–	–	(29.1)	(29.1)
Debit in respect of employee share schemes including tax	–	–	–	–	(1.8)	(1.8)
At 30 June 2018	54.2	98.4	33.4	16.6	193.9	396.5

There were no non-controlling interests in either year.

COMPANY	SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	UNREALISED PROFIT RESERVE £M	RETAINED EARNINGS (LOSSES) £M	TOTAL £M
At 1 July 2016	54.2	98.4	33.4	159.8	227.7	573.5
Loss and total comprehensive expense for the year	–	–	–	–	(17.1)	(17.1)
<b>Transactions with owners:</b>						
Dividends paid to equity holders (see note 8)	–	–	–	–	(26.2)	(26.2)
Refund of unclaimed dividends (see note 8)					0.2	0.2
Debit in respect of employee share schemes including tax	–	–	–	–	(0.6)	(0.6)
At 30 June 2017	54.2	98.4	33.4	159.8	184.0	529.8
Profit and total comprehensive income for the year	–	–	–	–	275.9	275.9
Transfer of unrealised item				(159.8)	159.8	–
<b>Transactions with owners:</b>						
Dividends paid to equity holders (see note 8)	–	–	–	–	(29.1)	(29.1)
Debit in respect of employee share schemes including tax	–	–	–	–	(1.0)	(1.0)
At 30 June 2018	54.2	98.4	33.4	–	589.6	775.6

The unrealised profit reserve related to the Company's investment in subsidiary undertakings which were impaired in the current year.

**STATEMENTS OF CASH FLOW** FOR THE YEAR ENDED 30 JUNE 2018

NOTE	GROUP		COMPANY	
	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Cash flows from operating activities</b>				
Cash generated from operations	23	<b>102.4</b>	116.3	<b>(0.7)</b>
Interest received		<b>0.3</b>	0.2	—
Interest paid		<b>(2.7)</b>	(3.2)	<b>(13.9)</b>
Tax (paid) received		<b>(14.4)</b>	(14.7)	<b>2.3</b>
<b>Net cash from operating activities</b>		<b>85.6</b>	98.6	<b>(12.3)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets		<b>(11.6)</b>	(13.1)	—
Purchase of property, plant and equipment		<b>(25.4)</b>	(29.6)	—
Purchase of subsidiaries (net of cash acquired)	32	<b>(16.5)</b>	—	—
Dividends received from subsidiaries		—	—	<b>549.4</b>
<b>Net cash used in investing activities</b>		<b>(53.5)</b>	(42.7)	<b>549.4</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders		<b>(29.1)</b>	(26.2)	<b>(29.1)</b>
Refund of unclaimed dividends		—	0.2	0.2
Repayment of term loans		<b>(20.0)</b>	(10.0)	—
Repayment of Yankee bond		<b>(10.1)</b>	—	—
Finance lease principal payments		<b>(1.4)</b>	(1.3)	—
Amounts (paid to) received from subsidiaries		—	—	<b>(508.0)</b>
<b>Net cash used in financing activities</b>		<b>(60.6)</b>	(37.3)	<b>(537.1)</b>
<b>Net (decrease) increase in cash, cash equivalents and bank overdrafts</b>		<b>(28.5)</b>	18.6	0.2
Effect of exchange rate changes		<b>(0.3)</b>	—	—
Cash and cash equivalents at start of year		<b>76.5</b>	57.9	<b>0.4</b>
<b>Cash and cash equivalents at end of year</b>	25	<b>47.7</b>	76.5	<b>0.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

# 1 GENERAL INFORMATION AND ACCOUNTING POLICIES

## GENERAL INFORMATION

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming services in Great Britain (including the Channel Islands), Spain and Belgium.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is TOR, Saint-Cloud Way, Maidenhead, SL6 8BN.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all periods presented.

### 1.1 BASIS OF PREPARATION

The consolidated and Company financial statements have been prepared under the historical cost convention.

#### 1.1.1 STATEMENT OF COMPLIANCE

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC Interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

#### 1.1.2 GOING CONCERN

In adopting the going concern basis for preparing the consolidated and Company financial statements, the directors have considered the issues impacting the Group during the period as detailed in the strategic report on pages 1 to 51 and have reviewed the Group's projected compliance with its banking covenants detailed in the financial review on page 40. Based on the Group's cash flow forecasts and operating budgets, the directors believe that the Group will generate sufficient cash to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

#### 1.1.3 ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical accounting judgements*

The following are the critical accounting judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Group's accounting policies and that have the

most significant effect on the amounts recognised in the financial statements.

#### *(a) Exceptional items*

The Group separately discloses material one-off items as it believes it assists shareholders to understand underlying performance and trends between periods. Judgement is required in determining whether an item should be classified as an exceptional item or included within underlying results. In the current year impairment charges and reversals, group restructuring costs, onerous property lease costs, acquisition related costs and closure costs have been disclosed as exceptional items. Further details are disclosed in note 4.

#### *(b) Income taxes*

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions of now discontinued operations. Judgement must be applied in assessing the likely outcome of certain tax matters whose final outcome may not be determined for a number of years.

These judgements are reassessed in each period until the outcome is finally determined through resolution with a tax authority and/or through a legal process. Differences arising from changes in judgement or from final resolution may be material and will be charged or credited to the income statement in the relevant period.

Within the Group's net tax liability of £10.3m (30 June 2017: £12.4m) are amounts of £4.9m (30 June 2017: £4.4m) that relate to uncertain tax positions, including those relating to discontinued businesses. The Group evaluates uncertain items, where the tax judgement is subject to interpretation and remains to be agreed with the relevant tax authority. Provisions for uncertain items are made using judgement of the most likely tax expected to be paid, based on a qualitative assessment of all relevant information. In assessing the appropriate provision for uncertain items, the Group considers progress made in discussions with tax authorities, expert advice on the likely outcome and recent developments in case law. Further details of income tax are disclosed in note 17.

#### *(c) Accounting treatment from exercising a convertible loan note option*

The Group has given notice to convert a £3.5m receivable into 17.18% of the issued share capital of its digital platform provider. As a result, the Group was required to make a judgement regarding the fair value of the investment and whether the investment, once the loan had converted, represented an investment in associate due to the potential to participate in financial and operating policy decisions of the entity.

Evidence to support the fair value of the investment was limited; however it was concluded that the cost of £3.5m was a reasonable approximation of the fair value of the shareholding. On providing notice to convert the loan, the Group considered whether it had the ability to exert significant influence over decisions made by the entity. It concluded this was not the case and therefore the convertible loan has been recognised as an investment.

The Group will continue to monitor the recoverability of the investment and notes that IFRS 9 is applicable to the next set of financial statements. The unquoted investment will therefore require its fair value to be reassessed in future periods.

## 1 GENERAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

### (d) Contingent assets and liabilities

Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent liabilities are disclosed in note 30. There were no contingent assets identified in the current year.

### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### (a) Estimated impairment of goodwill, intangible assets and property, plant and equipment

Details of the Group's accounting policy in relation to impairments and impairment reversals are disclosed in note 1.13.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the goodwill, intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less costs of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions, estimates and sensitivity are disclosed in note 12.

The Company also tests annually the carrying value of its investments in subsidiaries. The application of this policy requires the use of estimates and judgements in determining the recoverable amount of the subsidiary undertakings. The recoverable amount is determined by applying an estimated valuation multiple to budgeted future earnings of the subsidiary along with consideration of the underlying net assets.

#### (b) Property related provisions

Provisions are recognised in accordance with the policy disclosed in note 1.10. Management's judgement is that the cost provided represents the lower of the cost of fulfilling the contract or the cost of exiting the contract. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations, including sub-let income, together with estimates of any dilapidation obligations. Further details of provisions made are disclosed in note 21. The majority of committed future lease expense is for rental payments on property. Details of total committed lease payments are disclosed in note 29.

#### (c) Determination of the fair values of intangible assets and contingent consideration

The Group estimates the fair value of acquired intangible assets arising from business combinations by selecting and applying appropriate valuation methods. These include the relief from royalty and multi-period excess earnings valuation methods, both of which require significant judgements and estimates to be made. Examples include estimating expected cash flows and identifying appropriate royalty and discount rates. The fair value of each acquired intangible asset is amortised over the respective assets estimated useful life. The Group uses projected financial information together with comparable industry information, where available, as well as applying its own experience and knowledge of the industry in making such judgements and estimates.

Contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in estimates and assumptions. The determination of fair value requires an assessment of the future performance of a relatively immature business operating in a high growth market and is therefore inherently volatile. The Group has estimated the fair value using projected financial information. The range of potential outcomes is disclosed in note 32.

### 1.1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

#### (a) Standards, amendments to and interpretations of existing standards adopted by the Group

The Group has not been materially impacted by the adoption of any standards. The Group has not early adopted any standard, amendment or interpretation that was issued but is not yet effective.

#### (b) Standards, amendments to and interpretations of existing standards that are not yet effective

IFRS 16 'Leases' represents a significant change, notably for lessees, in how leases are accounted for and reported. The standard will be effective for the Group for the period beginning 1 July 2019, and will replace IAS 17 'Leases'. IFRS 16 will require all lessees to recognise a right-of-use asset and lease liability for all leases, except for leases with a lease term of 12 months or less or where the underlying asset is of low value.

The Group expects the standard to apply to the majority of its operating lease commitments and to have a material impact on the Group's reported results and balance sheet. The recognition of right of use assets and lease liabilities will result in an increase in total assets and total liabilities reported. Within the income statement, the current rent expense will be replaced with a depreciation and interest expense. The standard will also impact a number of statutory reporting measures such as operating profit and cash generated from operations, as well as alternative performance measures used by the Group.

The full impact of IFRS 16 on the Group is currently being assessed, including the practical application of the principles of the standard to the Group's leases, and it is therefore not yet possible to provide a reasonable estimate of its effect. The Group's current operating lease commitments on an undiscounted basis under IAS 17 are disclosed in note 29.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' will be effective for our next financial reporting period. The Group does not anticipate a material impact on the results or net assets from these standards or any other standards that are in issue but not yet effective.

## 1.2 CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically the Group controls an investee if, and only if, the Group has a) power over the investee, b) exposure, or rights, to variable returns from the investee, and c) ability to use its power to affect those returns. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

## 1.3 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the acquisition date and represents the aggregate fair value of assets transferred and liabilities incurred.

Amounts payable in respect of deferred or contingent consideration are recognised at fair value at the acquisition date and included in consideration transferred. The subsequent unwind of any discount is recognised as an exceptional finance cost in the income statement. Changes in the fair value of contingent consideration recognised as a financial liability that qualify as measurement period adjustments (being 12 months from the acquisition date) are adjusted retrospectively, with corresponding adjustments against goodwill. Material changes that do not qualify as measurement period adjustments are recognised as an exceptional item in the income statement.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Identifiable intangible assets are recognised separately from goodwill.

If the aggregate of the acquisition date fair value of the consideration transferred is lower than the fair value of the assets, liabilities and contingent liabilities in the business acquired, the difference is recognised in profit and loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement

period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition costs incurred are expensed as exceptional items.

## 1.4 REVENUErecognition

Revenue consists of the fair value of sales of goods and services net of VAT, rebates and discounts.

### (a) Gaming win

Revenue for casinos includes gaming win before deduction of gaming-related duties. Revenue for bingo is net of prizes before deduction of gaming-related duties. Revenue for poker represents the rake received. Revenue for digital products, including interactive games, represents gaming win before deduction of gaming-related duties. The fair value of free bets, promotions and customer bonuses ('customer incentives') are also deducted from all revenue streams.

Although disclosed as revenue, gaming win (other than from poker and bingo) is accounted for and meets the definition of a gain under IAS 39 'Financial Instruments: Recognition and Measurement'.

### (b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

## 1.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 54), which makes strategic and operational decisions. The Group currently reports five segments: Grosvenor Venues, Mecca Venues, UK Digital, Enracha and Central Costs. The acquisition of QSB Gaming Limited ('YoBingo') has been included within Enracha.

## 1.6 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in UK sterling, which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

### (a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs or income.

### (b) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

## 1 GENERAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing euro rate against UK sterling was 1.13 (30 June 2017: 1.14) and the closing US dollar rate against UK sterling was 1.32 (30 June 2017: 1.30);
- (ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average euro rate against UK sterling was 1.13 (year ended 30 June 2017: 1.16) and the average US dollar rate against UK sterling in the year was 1.35 (year ended 30 June 2017: 1.27); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 1.7 FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired, been transferred or an obligation to pay the cash flows received to a third party without material delay has been assumed, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred, but control has been transferred.

The Group's financial assets include loans and receivables and cash and cash equivalents.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when the asset is expected to be realised in the normal operating cycle, otherwise they are classified as non-current assets. Loans and receivables are classified as other receivables in the balance sheet.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### (b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

#### (c) Other investments

These include equity investments that are not considered to represent an investments in associate, joint venture or subsidiary. Other investments are considered available for sale and are held at fair value if this can be reliably measured. If the equity instruments are not quoted in an active market and their fair value cannot be reliably measured, the available-for-sale investment is carried at cost, less accumulated impairment.

#### (d) Investment in subsidiaries (Company only)

Investment in subsidiaries are held at cost less impairment.

### 1.8 FINANCIAL LIABILITIES

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), contingent consideration, and financial guarantee contracts.

#### (a) Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

#### (b) Loans and borrowings

After initial recognition at fair value net of any directly attributable transaction costs, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the income statement.

#### (c) Contingent consideration

Amounts payable in respect of contingent consideration are recognised at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration recognised as a financial liability that qualify as measurement period adjustments (being 12 months from the acquisition date) are adjusted retrospectively, with corresponding adjustments against goodwill. Changes that do not qualify as measurement period adjustments are recognised as an exceptional item in the income statement.

**(d) Financial guarantee contracts (Company only)**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortising over the expected length of the guarantee, to the extent that the guarantee is not expected to be called. Subsequently, the liability is measured the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date or the amount recognised less cumulative amortisation.

**1.9 LEASES**

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

**(a) Finance leases**

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

**(b) Operating leases**

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight-line basis over the lease term.

**1.10 PROVISIONS**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**1.11 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only

when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

• Freehold and leasehold property	50 years or lease term if less
• Refurbishment of property	5 to 20 years or lease term if lower
• Fixtures, fittings, plant and machinery	3 to 20 years

Land is not depreciated.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

**1.12 INTANGIBLE ASSETS****(a) Goodwill**

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the net identifiable assets less the liabilities assumed at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows, that are largely independent of the cash inflows from other assets or groups of assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

**(b) Casino and other gaming licences and concessions**

The Group capitalises acquired casino and other gaming licences and concessions. Management believes that casino and other gaming licences have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

In respect of the concession in Belgium, the carrying value is amortised over the expected useful life of the concession.

**(c) Software and development**

Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

## 1 GENERAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Software acquired as part of a business combination is recognised at fair value at the date of acquisition.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

*(d) Brands*

These assets represent the fair value of brands and trade-mark assets acquired in business combinations at the acquisition date.

*(e) Customer relationships*

This line item represents the fair value of customer relations acquired in business combinations at the acquisition date.

*(f) Property contracts*

These sums represent the fair value of favourable property contracts acquired in business combinations at the acquisition date.

Amortisation is recognised on a straight-line basis over the estimated useful life of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

• Casino and other gaming licences	Indefinite
• Casino concession	Concession term
• Software and development	3 to 5 years
• Brands	10 years
• Customer relationships	4 years
• Property contracts	Lease term

### 1.13 IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or where they indicate a previously recognised impairment may no longer be required.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Any impairment is allocated pro-rata across all assets in a cash-generating unit unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs of disposal then

any remaining impairment is allocated equally amongst all other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversals are allocated pro-rata across all assets in the cash-generating unit unless there is an indication that a class of asset should be reversed in the first instance or a fair market value exists for one or more assets. A reversal of an impairment loss is recognised in the income statement immediately.

An impairment loss recognised for goodwill is never reversed in subsequent periods.

### 1.14 EMPLOYEE BENEFIT COSTS

*(a) Pension obligations*

The Group operates a defined contribution plan under which the Group pays fixed contributions to a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of other comprehensive income. The interest cost arising on the commitment is recognised in net finance costs.

*(b) Share-based compensation*

The cost of equity-settled transactions with employees for awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the

share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally, regardless of whether the entity or the employee cancels the award.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

*(c) Share-based compensation – Company*

The Company operates share-based payment schemes for employees of the Company and its subsidiaries. The fair value of shares awarded to employees of the Company are recognised as an employee expense with a corresponding increase in equity. The Company also makes awards of its own shares to employees of its subsidiaries and as such recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity.

*(d) Bonus plans*

The Group recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where a past practice has created a constructive obligation.

#### 1.15 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in, first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business. When necessary, provision is made for obsolete and slow-moving inventories.

#### 1.16 TAXATION

*(a) Current tax*

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

*(b) Deferred tax*

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

*(c) Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- for receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

#### 1.17 SHARE CAPITAL

Ordinary shares are classified as equity.

#### 1.18 DIVIDENDS

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

#### 1.19 EXCEPTIONAL ITEMS

The Group separately discloses those items which are required to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. Exceptional items are considered by the directors to require separate disclosure due to their size or nature in relation to the Group.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**2 SEGMENTAL REPORTING***a) Segment information – operating segments*

	YEAR ENDED 30 JUNE 2018				
	GROSVENOR VENUES £M	MECCA VENUES £M	UK DIGITAL £M	ENRACHA £M	CENTRAL COSTS £M
					TOTAL £M
Continuing operations					
Revenue before adjustment for customer incentives	<b>373.0</b>	<b>208.1</b>	<b>122.5</b>	<b>37.5</b>	<b>–</b>
Customer incentives	(13.0)	(9.1)	(27.9)	(0.1)	–
Statutory revenue	<b>360.0</b>	<b>199.0</b>	<b>94.6</b>	<b>37.4</b>	<b>–</b>
Operating profit (loss) before exceptional items	<b>48.6</b>	<b>28.6</b>	<b>20.9</b>	<b>6.5</b>	<b>(27.6)</b>
Exceptional (loss) profit	(23.4)	(3.7)	0.2	1.2	(1.2)
Segment result	<b>25.2</b>	<b>24.9</b>	<b>21.1</b>	<b>7.7</b>	<b>(28.8)</b>
					<b>50.1</b>
Finance costs					(3.3)
Finance income					0.3
Other financial losses					(0.4)
Profit before taxation					46.7
Taxation					(10.8)
<b>Profit for the year</b>					<b>35.9</b>
Other segment items – continuing operations					
Capital expenditure	(9.2)	(5.3)	(9.0)	(1.0)	(12.5)
Depreciation and amortisation	(22.0)	(11.6)	(4.2)	(1.9)	(3.3)
Items disclosed as exceptional					
Impairment charges	(9.8)	(3.4)	–	(0.7)	–
Impairment reversals	–	–	–	1.8	–
Group restructuring including relocation costs	(0.3)	(0.5)	0.2	–	(1.0)
Onerous lease and other property (costs) income	(9.0)	(0.3)	–	–	0.2
Closure of venues	(4.3)	0.5	–	0.1	–
Acquisition related costs	–	–	–	–	(0.4)
					<b>(0.4)</b>

	YEAR ENDED 30 JUNE 2017				
	GROSVENOR VENUES £M	MECCA VENUES £M	UK DIGITAL £M	ENRACHA £M	CENTRAL COSTS £M
					TOTAL £M
<b>Continuing operations</b>					
Revenue before adjustment for customer incentives	397.2	213.6	111.5	32.8	–
Customer incentives	(14.9)	(10.0)	(23.0)	–	–
<b>Statutory revenue</b>	<b>382.3</b>	<b>203.6</b>	<b>88.5</b>	<b>32.8</b>	<b>–</b>
Operating profit (loss) before exceptional items	52.1	29.9	22.7	6.2	(27.4)
Exceptional (loss) profit	(5.2)	11.2	(2.0)	0.6	(3.6)
<b>Segment result</b>	<b>46.9</b>	<b>41.1</b>	<b>20.7</b>	<b>6.8</b>	<b>(31.0)</b>
Finance costs					(4.4)
Finance income					0.2
Other financial losses					(0.6)
<b>Profit before taxation</b>					<b>79.7</b>
Taxation					(16.8)
<b>Profit for the year</b>					<b>62.9</b>
<b>Other segment items – continuing operations</b>					
Capital expenditure	(17.1)	(9.3)	(2.3)	(1.2)	(12.8)
Depreciation and amortisation	(24.5)	(11.9)	(5.1)	(1.5)	(2.3)
<b>Items disclosed as exceptional</b>					
Impairment charges	(5.2)	(0.3)	–	(1.2)	–
Impairment reversals	0.7	–	–	1.8	–
Group restructuring including relocation costs	(1.8)	(0.2)	(2.0)	–	(4.8)
Onerous lease and other property income	1.1	11.7	–	–	1.9
Acquisition related costs	–	–	–	–	(0.7)

The Group reports segmental information on the basis by which the chief operating decision-maker utilises internal reporting within the business. On 21 May 2018 QSB Gaming Limited ('YoBingo') was acquired, the trading results include £1.4m of statutory revenue and £0.3m of operating profit since acquisition and this has been included within the Enracha reporting segment. Following the acquisition and a change in the chief operating decision-maker it is intended that internal reporting will be revisited and it is likely that the key reported segments may be amended in the next financial year. Any changes will be disclosed in our interim statements.

Assets and liabilities have not been segmented as this information is not provided to the chief operating decision-maker on a regular basis.

Capital expenditure comprises cash expenditure on property, plant and equipment and other intangible assets.

*b) Geographical information*

The Group operates in two main geographical areas (UK and Continental Europe).

(i) Revenue from external customers by geographical area based on location of customer

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
UK	643.2	659.4
Continental Europe	47.8	47.8
<b>Total revenue</b>	<b>691.0</b>	<b>707.2</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**2 SEGMENTAL REPORTING CONTINUED**

(ii) Non-current assets by geographical area based on location of assets

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
UK	<b>553.4</b>	565.3
Continental Europe	<b>80.7</b>	34.1
Segment non-current assets	<b>634.1</b>	599.4
Unallocated assets:		
Deferred tax assets	<b>0.4</b>	0.1
Financial assets	<b>3.7</b>	6.5
<b>Total non-current assets</b>	<b>638.2</b>	606.0

With the exception of the UK no individual country contributed more than 15% of consolidated sales or assets.

*c) Total cost analysis by segment*

To increase transparency, the Group has decided to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

	YEAR ENDED 30 JUNE 2018				
	GROSVENOR VENUES £M	MECCA VENUES £M	UK DIGITAL £M	ENRACHA £M	CENTRAL COSTS £M
Employment and related costs	<b>133.4</b>	<b>52.2</b>	<b>12.1</b>	<b>15.3</b>	<b>18.4</b>
Taxes and duties	<b>75.2</b>	<b>33.2</b>	<b>15.0</b>	<b>2.5</b>	<b>1.8</b>
Direct costs	<b>18.6</b>	<b>20.9</b>	<b>28.0</b>	<b>4.1</b>	—
Property costs	<b>32.1</b>	<b>26.9</b>	<b>0.5</b>	<b>1.3</b>	<b>1.6</b>
Marketing	<b>14.5</b>	<b>8.7</b>	<b>7.8</b>	<b>1.3</b>	—
Depreciation and amortisation	<b>22.0</b>	<b>11.6</b>	<b>4.2</b>	<b>1.9</b>	<b>3.3</b>
Other	<b>15.6</b>	<b>16.9</b>	<b>6.1</b>	<b>4.5</b>	<b>2.5</b>
<b>Total costs before exceptional items</b>	<b>311.4</b>	<b>170.4</b>	<b>73.7</b>	<b>30.9</b>	<b>27.6</b>
Cost of sales					<b>376.6</b>
Operating costs					<b>237.4</b>
<b>Total costs before exceptional items</b>					<b>614.0</b>

	YEAR ENDED 30 JUNE 2017				
	GROSVENOR VENUES £M	MECCA VENUES £M	UK DIGITAL £M	ENRACHA £M	CENTRAL COSTS £M
Employment and related costs	<b>140.2</b>	<b>53.7</b>	<b>9.2</b>	<b>13.8</b>	<b>21.1</b>
Taxes and duties	<b>82.7</b>	<b>33.5</b>	<b>10.6</b>	<b>1.8</b>	<b>18</b>
Direct costs	<b>17.2</b>	<b>20.4</b>	<b>27.4</b>	<b>3.5</b>	—
Property costs	<b>30.1</b>	<b>27.3</b>	<b>0.7</b>	<b>1.4</b>	<b>1.3</b>
Marketing	<b>13.7</b>	<b>8.4</b>	<b>9.1</b>	<b>1.0</b>	<b>0.2</b>
Depreciation and amortisation	<b>24.5</b>	<b>11.9</b>	<b>5.1</b>	<b>1.5</b>	<b>2.3</b>
Other	<b>21.8</b>	<b>18.5</b>	<b>3.7</b>	<b>3.6</b>	<b>0.7</b>
<b>Total costs before exceptional items</b>	<b>330.2</b>	<b>173.7</b>	<b>65.8</b>	<b>26.6</b>	<b>27.4</b>
Cost of sales					<b>391.4</b>
Operating costs					<b>232.3</b>
<b>Total costs before exceptional items</b>					<b>623.7</b>

## 3 PROFIT FOR THE YEAR – ANALYSIS BY NATURE

The following items have been charged (credited) in arriving at the profit for the year before financing and taxation from continuing operations:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Employee benefit expense	214.3	221.1
Cost of inventories recognised as expense	29.9	36.9
Amortisation of intangibles	9.5	9.5
Depreciation of property, plant and equipment		
• owned assets (including £30.1m (year ended 30 June 2017: £33.8m) within cost of sales)	32.3	34.9
• under finance leases (included within cost of sales)	1.2	0.9
Operating lease rentals payable		
• minimum lease payments	46.9	45.6
• sub-lease income	(4.1)	(4.7)
Loss on disposal of property, plant and equipment	0.3	0.9
Impairment of intangible assets	0.3	–
Impairment of property, plant and equipment	0.2	0.5
Exceptional operating costs (income) (see note 4)	26.9	(1.0)
Auditors' remuneration for audit services	0.5	0.4

In the year, the Group's auditors, Ernst & Young LLP, including its network firms, earned the following fees:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Audit services		
• Fees payable to the Company's auditor for the parent company and consolidated financial statements	0.4	0.3
Other services		
Fees payable to the Company's auditor and its associates for other services:		
• the audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
• other services	0.1	0.2
	0.6	0.6

£26,000 (year ended 30 June 2017: £25,000) of the audit fees related to the parent company.

Other services include acquisition costs and cyber security advice.

It is the Group's policy to balance the need to maintain auditor independence with the benefit of taking advice from the leading firm in the area concerned and the desirability of being efficient.

## 4 EXCEPTIONAL ITEMS

	NOTE	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Continuing operations</b>			
Impairment charges	10,11,12	(13.9)	(6.7)
Impairment reversals	10,11,12	1.8	2.5
Group restructuring including relocation costs		(1.6)	(8.8)
Onerous lease and other property (costs) income		(9.1)	14.7
Closure of venues		(3.7)	–
Acquisition related costs	32	(0.4)	(0.7)
<b>Exceptional operating (costs) income*</b>		(26.9)	1.0
Finance costs	5	(0.3)	–
Other financial losses	5	(0.3)	–
Taxation	6	4.9	(1.2)
<b>Exceptional items</b>		(22.6)	(0.2)

\* It is Group policy to reverse exceptional costs in the same line as they were originally recognised.

## 4 EXCEPTIONAL ITEMS CONTINUED

### YEAR ENDED 30 JUNE 2018 EXCEPTIONAL ITEMS

#### *Impairment charges*

The Group recognised impairment charges of £13.9m, of which £9.8m related to five venues within Grosvenor Casinos, £3.4m related to eight venues within Mecca and £0.7m related to a venue within Enracha. Performance at these venues (most notably admissions) has not been in line with expectations and is not expected to significantly improve in the future. These have been presented as an exceptional item due to both its material scale and one-off nature.

#### *Impairment reversals*

The Group reversed a £1.8m impairment charge in Enracha due to a reduction in the local gaming tax rate, which has significantly improved performance at one venue. This has been presented as an exceptional item due to both its material scale and one-off nature.

#### *Group restructuring including relocation costs*

In the first six months of 2017/18 the Group completed its group restructuring project. The total cost of the project was £10.4m, of which the remaining £1.6m has been recognised in the current financial year. Total costs include costs associated with changes to management and team structures at both venue and central levels, the decision to centralise support functions in a new office in Maidenhead and the merging of the separately run brand teams supporting UK Digital into one operational team. This has been presented as an exceptional item due to both its material scale and one-off nature.

#### *Onerous lease and other property costs*

The Group has recognised a net charge of £9.1m as a result of committed onerous costs on property leases.

A charge of £9.0m has been recognised within Grosvenor. Of this charge £8.0m is attributable to two venues where expected improvements in trading results have not been realised and unavoidable committed costs exceed forecast future trading performance, and £1.0m to a potential tenant for a vacant site deciding not to proceed despite advanced negotiations to sub-let the onerous property.

Within Mecca a £0.3m charge has been recognised as a result of an increase in expected onerous costs at four venues and a £0.2m credit has been recognised in Central costs due to revisions in expected future costs and income at onerous multi-let sites. These costs have been presented as an exceptional item due to both its material scale and one-off nature.

#### *Closure of venues*

The Group has recognised a net charge of £3.7m as a result of closed clubs.

Grosvenor has recognised a £4.3m charge due to costs associated with closing a loss-making venue for which it is not expected the remaining lease can be sublet. Mecca has recognised a net credit of £0.5m. This is due to £0.4m of cost from closing one club having been offset by a £0.6m surrender premium having been received in return for agreeing to exit a lease early at one site and an additional £0.3m overage payment having been received for a site previously disposed of. Enracha has recognised a net credit of £0.1m due to it having successfully won an employee dispute for unfair dismissal at a disposed of club. These have been presented as an exceptional item due to both its material scale and one-off nature.

#### *Acquisition related costs*

Acquisition related costs of £0.4m include one-off costs to professional service firms that have resulted from acquisitions. The finance cost and foreign exchange loss associated with contingent consideration payable has also been recognised as an exceptional finance cost and exceptional other financial loss. This has been presented as an exceptional item due to its one-off nature.

### YEAR ENDED 30 JUNE 2017 EXCEPTIONAL ITEMS

#### *Impairment charges*

The Group recognised impairment charges of £6.7m, of which £5.2m related to two venues within Grosvenor Casinos, £0.3m related to a venue within Mecca and £1.2m related to a venue within Enracha. Performance at these venues has not been in line with expectations and is not expected to significantly improve in the future.

#### *Impairment reversals*

The Group reversed previous impairment charges of £2.5m, £0.7m of which related to a venue within Grosvenor and £1.8m related to two venues within Enracha. This reflects a significant improvement in performance following the closure of a competitor and a sustained increase in performance attributed to improvements in the local economic environment within Spain.

#### *Group restructuring including relocation costs*

In the first six months of 2016/17 the Group carried out a detailed review of its entire UK organisational structure designed to improve customer service and simplify operations. This has resulted in changes to management and team structures at both venue and central levels, the decision to centralise support functions in a new office in Maidenhead and the merging of the separately run brand teams supporting UK Digital into one operational team. The cost of this restructure is estimated to be £9.3m, with £8.8m recognised in the current financial year and the balance expected to be incurred in the first six months of 2017/18.

The costs incurred include £5.2m of redundancy costs, £2.2m of onerous lease costs, £0.6m of tangible asset impairment, £0.5m of loss on disposal of tangible assets and £0.3m of legal and professional fees.

Costs by segment were £1.8m Grosvenor Venues, £0.2m Mecca Venues, £2.0m UK Digital and £4.8m Central Costs.

***Onerous lease and other property income***

The total net credit was £14.7m:

£11.7m was recognised in Mecca. This includes £10.7m following the successful surrender of an onerous lease at a Mecca venue in exchange for a cash payment of £2.0m, £1.4m due to the renegotiation of lease terms at a venue, offset by a £0.4m charge from increasing the required provision at three venues;

£1.1m was recognised in Grosvenor. This included a £1.0m credit due to advanced negotiation to sub-let an onerous lease, £0.3m due to a final settlement agreed on a previously leased venue, offset by a £0.2m charge for a venue that required a full onerous lease; and

£1.9m was recognised in Central costs for multi-let venues. This included a credit of £1.5m due to the renegotiation of an onerous lease, £0.8m due to additional sub-let income from a tenant at one of the sites, offset by a £0.4m charge due to a reduction in variable rent expectation.

***Acquisition related costs***

Central costs includes £0.7m of aborted acquisition cost that were paid to professional service firms.

## 5 FINANCING

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Continuing operations</b>		
Finance costs:		
Interest on debt and borrowings <sup>1</sup>	(1.9)	(2.6)
Amortisation of issue costs on borrowings <sup>1</sup>	(0.4)	(0.4)
Interest payable on finance leases	(0.5)	(0.6)
Unwinding of discount on property lease provisions	(0.2)	(0.8)
<b>Total finance costs</b>	<b>(3.0)</b>	<b>(4.4)</b>
Finance income:		
Interest income on short-term bank deposits <sup>1</sup>	0.2	0.1
Interest income on loans <sup>1</sup>	0.1	0.1
<b>Total finance income</b>	<b>0.3</b>	<b>0.2</b>
<b>Other financial losses</b>	<b>(0.1)</b>	<b>(0.6)</b>
<b>Total net financing charge before exceptional items</b>	<b>(2.8)</b>	<b>(4.8)</b>
Exceptional finance costs	(0.3)	–
Exceptional other financial losses	(0.3)	–
<b>Total net financing charge</b>	<b>(3.4)</b>	<b>(4.8)</b>

1. Calculated using the effective interest method.

Other financial losses include foreign exchange losses on loans and borrowings.

Exceptional finance costs and other financial losses includes interest recognised and foreign exchange loss on contingent and deferred consideration payable as a result of the acquisition of QSB Gaming Limited ('YoBingo').

A reconciliation of total net financing charge before exceptional items to adjusted net interest included in adjusted profit is disclosed below:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Total net financing charge before exceptional items	(2.8)	(4.8)
Adjust for :		
Other financial losses	0.1	0.6
<b>Adjusted net interest payable</b>	<b>(2.7)</b>	<b>(4.2)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**6 TAXATION**

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Current income tax</b>		
Current income tax – UK	(11.3)	(11.8)
Current income tax – overseas	(3.7)	(3.4)
Current income tax on exceptional items	3.0	(1.8)
Amounts over provided in previous period	0.1	0.5
<b>Total current income tax charge</b>	<b>(11.9)</b>	<b>(16.5)</b>
<b>Deferred tax</b>		
Deferred tax – UK	(0.5)	(1.3)
Deferred tax – overseas	–	(0.3)
Restatement of deferred tax due to rate change	–	1.1
Deferred tax on exceptional items	1.9	0.6
Amounts under provided in previous period	(0.3)	(0.4)
<b>Total deferred tax credit (charge) (note 20)</b>	<b>1.1</b>	<b>(0.3)</b>
<b>Tax charge in the income statement</b>	<b>(10.8)</b>	<b>(16.8)</b>

The tax on the Group's profit before taxation differs from the standard rate of UK corporation tax in the period of 19.00% (year ended 30 June 2017: 19.75%). The differences are explained below:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Profit before taxation on continuing operations	46.7	79.7
Tax charge calculated at 19.00% on profit before taxation (year ended 30 June 2017: 19.75%)	(8.9)	(15.7)
Effects of:		
Expenses not deductible for tax purposes	(1.9)	(2.2)
Difference in overseas tax rates	0.2	(0.1)
Restatement of deferred tax due to rate change	–	1.1
Adjustments relating to prior periods	(0.2)	0.1
<b>Tax charge in the income statement</b>	<b>(10.8)</b>	<b>(16.8)</b>

**TAX ON EXCEPTIONAL ITEMS**

The taxation impacts of exceptional items are disclosed below:

	YEAR ENDED 30 JUNE 2018			YEAR ENDED 30 JUNE 2017		
	CURRENT INCOME TAX £M	DEFERRED TAX £M	TOTAL £M	CURRENT INCOME TAX £M	DEFERRED TAX £M	TOTAL £M
Impairment charges	–	2.3	2.3	–	1.0	1.0
Impairment reversals	–	(0.4)	(0.4)	–	(0.5)	(0.5)
Group restructuring including relocation costs	0.3	–	0.3	1.5	0.1	1.6
Onerous lease and other property costs (income)	1.7	–	1.7	(3.3)	–	(3.3)
Closure of venues	0.9	–	0.9	–	–	–
Finance costs and other financial losses	0.1	–	0.1	–	–	–
<b>Tax credit (charge) on exceptional items</b>	<b>3.0</b>	<b>1.9</b>	<b>4.9</b>	<b>(1.8)</b>	<b>0.6</b>	<b>(1.2)</b>

Tax effect of items within other comprehensive income

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Current income tax credit on exchange movements offset in reserves	–	0.2
Deferred tax credit on actuarial movement on retirement benefits	–	0.1
<b>Total tax credit on items within other comprehensive income</b>	<b>–</b>	<b>0.3</b>

The debit in respect of employee share schemes included within the statement of changes in equity includes a deferred tax credit of £0.1m (year ended 30 June 2017: £0.1m).

### FACTORS AFFECTING FUTURE TAXATION

UK corporation tax is calculated at 19.00% (year ended 30 June 2017: 19.75%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 8 July 2015, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 19.00% for the year starting 1 April 2017 and a further 1.00% reduction to 18.00% from 1 April 2020. These changes were substantively enacted in October 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further 1.00% reduction to the previously announced 18.00% main rate of UK corporation tax to 17.00% from 1 April 2020. This change was substantively enacted in September 2016. The rate reductions will reduce the amount of cash tax payments to be made by the Group.

On 26 July 2017, the Belgian Government announced the reduction in the corporation tax rate in Belgium from 33.99% to 29.58% for financial years beginning in 2018 and to 25.00% for financial years beginning in 2020 and onwards. These changes were substantively enacted in December 2017.

## 7 RESULTS ATTRIBUTABLE TO THE PARENT COMPANY

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the parent company income statement. The profit for the year ended 30 June 2018 for the Company was £275.9m (year ended 30 June 2017: loss of £17.1m). The profit includes receipt of a dividend of £549.4m (year ended 30 June 2017: £nil) and a net impairment charge of £262.8m (year ended 30 June 2017: £nil) in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

## 8 DIVIDENDS PAID TO EQUITY HOLDERS

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Final dividend for 2015/16 paid on 20 October 2016 – 4.70p per share	–	18.4
Interim dividend for 2016/17 paid on 21 March 2017 – 2.00p per share	–	7.8
Final dividend for 2016/17 paid on 31 October 2017 – 5.30p per share	20.7	–
Interim dividend for 2017/18 paid on 15 March 2018 – 2.15p per share	8.4	–
<b>Dividends paid to equity holders</b>	<b>29.1</b>	<b>26.2</b>
 <b>Refund of unclaimed dividends</b>	 –	 (0.2)

A final dividend in respect of the year ended 30 June 2018 of 5.3p per share, amounting to a total dividend of £20.7m, is to be recommended at the Annual General Meeting on 18 October 2018. These financial statements do not reflect this dividend payable.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 9 EARNINGS PER SHARE

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

	YEAR ENDED 30 JUNE 2018			YEAR ENDED 30 JUNE 2017		
	BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS	TOTAL	BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS	TOTAL
Profit (loss) attributable to equity shareholders						
Continuing operations	£58.5M	£(22.6)M	£35.9M	£63.1M	£(0.2)M	£62.9M
Total	£58.5M	£(22.6)M	£35.9M	£63.1M	£(0.2)M	£62.9M
Weighted average number of ordinary shares in issue	390.7M	390.7M	390.7M	390.7M	390.7M	390.7M
Basic earnings (loss) per share						
Continuing operations	15.0p	(5.8)p	9.2p	16.2p	(0.1)p	16.1p
Total	15.0p	(5.8)p	9.2p	16.2p	(0.1)p	16.1p

**(b) Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares.

	YEAR ENDED 30 JUNE 2018			YEAR ENDED 30 JUNE 2017		
	BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS	TOTAL	BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS	TOTAL
Weighted average number of ordinary shares in issue	390.7M	390.7M	390.7M	390.7M	390.7M	390.7M
Effect of dilutive potential ordinary shares – share awards	0.4M	0.4M	0.4M	£1.6M	£1.6M	£1.6M
Number of shares used for fully diluted earnings per share	391.1M	391.1M	391.1M	392.3M	392.3M	392.3M
Basic earnings (loss) per share						
Continuing operations	15.0p	(5.8)p	9.2p	16.1p	(0.1)p	16.0p
Total	15.0p	(5.8)p	9.2p	16.1p	(0.1)p	16.0p

**(c) Adjusted earnings per share**

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Profit attributable to equity shareholders	35.9	62.9
Adjust for:		
Exceptional items after tax	22.6	0.2
Other financial losses	0.1	0.6
Taxation on adjusted items and impact of reduction in tax rate	–	(1.2)
Adjusted net earnings attributable to equity shareholders (£m)	58.6	62.5
Adjusted earnings per share (p) – basic	15.0p	16.0p
Adjusted earnings per share (p) – diluted	15.0p	15.9p

## 10 INTANGIBLE ASSETS

GROUP	GOODWILL £M	CASINO AND OTHER GAMING LICENCES AND CONCESSIONS £M	SOFTWARE AND DEVELOPMENT £M	BRANDS AND CUSTOMER RELATIONSHIPS £M	PROPERTY CONTRACTS £M	TOTAL £M
<b>Cost</b>						
At 1 July 2016	134.3	274.9	59.1	–	3.8	472.1
Exchange adjustments	–	2.6	–	–	–	2.6
Disposals	–	–	(24.3)	–	–	(24.3)
Additions	–	–	14.3	–	–	14.3
<b>At 30 June 2017</b>	<b>134.3</b>	<b>277.5</b>	<b>49.1</b>	<b>–</b>	<b>3.8</b>	<b>464.7</b>
Exchange adjustments	<b>0.4</b>	<b>0.4</b>	–	<b>0.1</b>	–	<b>0.9</b>
Disposals	–	–	(3.9)	–	–	(3.9)
Additions	–	<b>0.5</b>	<b>11.6</b>	–	–	<b>12.1</b>
Acquisitions	<b>31.9</b>	–	3.5	<b>11.4</b>	–	<b>46.8</b>
<b>At 30 June 2018</b>	<b>166.6</b>	<b>278.4</b>	<b>60.3</b>	<b>11.5</b>	<b>3.8</b>	<b>520.6</b>
<b>Aggregate amortisation and impairment</b>						
At 1 July 2016	–	31.7	35.1	–	1.0	67.8
Exchange adjustments	–	1.9	–	–	–	1.9
Charge for the year	–	1.2	8.1	–	0.2	9.5
Impairment charges	–	–	0.1	–	–	0.1
Impairment reversals	–	(1.8)	–	–	–	(1.8)
Disposals	–	–	(24.3)	–	–	(24.3)
<b>At 30 June 2017</b>	<b>–</b>	<b>33.0</b>	<b>19.0</b>	<b>–</b>	<b>1.2</b>	<b>53.2</b>
Exchange adjustments	–	<b>0.2</b>	–	–	–	<b>0.2</b>
Charge for the year	–	<b>1.2</b>	<b>7.7</b>	<b>0.2</b>	<b>0.4</b>	<b>9.5</b>
Impairment charges	–	<b>3.3</b>	<b>0.4</b>	–	–	<b>3.7</b>
Impairment reversals	–	(1.2)	–	–	–	(1.2)
Disposals	–	–	(3.9)	–	–	(3.9)
<b>At 30 June 2018</b>	<b>–</b>	<b>36.5</b>	<b>23.2</b>	<b>0.2</b>	<b>1.6</b>	<b>61.5</b>
Net book value at 30 June 2016	134.3	243.2	24.0	–	2.8	404.3
Net book value at 30 June 2017	134.3	244.5	30.1	–	2.6	411.5
<b>Net book value at 30 June 2018</b>	<b>166.6</b>	<b>241.9</b>	<b>37.1</b>	<b>11.3</b>	<b>2.2</b>	<b>459.1</b>

Impairment charges for the year of £3.7m (30 June 2017: £0.1m) comprise of £3.4m (30 June 2017: £0.1m) recognised in respect of exceptional items relating to continuing operations and £0.3m (30 June 2017: £nil) in respect of operating profit before exceptional items. The impairment reversal for the year of £1.2m (30 June 2017: £1.8m) has been recognised as an exceptional item.

Software includes internally-generated computer software and development technology with a net book value of £22.2m (30 June 2017: £20.4m).

Property contracts, brands and customer relationships are fair value adjustments that arose on acquisition.

Included in software and development are assets in the course of construction of £15.0m (30 June 2017: £12.2m). This includes £9.2m from the development of a single account and wallet solution and £2.8m for a replacement content management system.

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**11 PROPERTY, PLANT AND EQUIPMENT**

GROUP	LAND AND BUILDINGS £M	FIXTURES, FITTINGS, PLANT AND MACHINERY £M	TOTAL £M
<b>Cost</b>			
At 1 July 2016	127.8	528.2	656.0
Exchange adjustments	0.8	3.9	4.7
Additions	1.1	28.0	29.1
Disposals	(13.0)	(126.5)	(139.5)
<b>At 30 June 2017</b>	<b>116.7</b>	<b>433.6</b>	<b>550.3</b>
Exchange adjustments	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>
Additions	<b>8.5</b>	<b>18.9</b>	<b>27.4</b>
Disposals	<b>(0.4)</b>	<b>(8.2)</b>	<b>(8.6)</b>
<b>At 30 June 2018</b>	<b>124.9</b>	<b>444.9</b>	<b>569.8</b>
<b>Accumulated depreciation and impairment</b>			
At 1 July 2016	72.3	381.7	454.0
Exchange adjustments	–	3.2	3.2
Charge for the year	4.2	31.6	35.8
Impairment charges	0.6	7.1	7.7
Impairment reversals	–	(0.7)	(0.7)
Disposals	(12.3)	(125.3)	(137.6)
<b>At 30 June 2017</b>	<b>64.8</b>	<b>297.6</b>	<b>362.4</b>
Exchange adjustments	<b>0.1</b>	<b>0.5</b>	<b>0.6</b>
Charge for the year	<b>4.0</b>	<b>29.5</b>	<b>33.5</b>
Impairment charges	<b>1.7</b>	<b>9.0</b>	<b>10.7</b>
Impairment reversals	–	(0.6)	(0.6)
Disposals	<b>(0.1)</b>	<b>(8.2)</b>	<b>(8.3)</b>
<b>At 30 June 2018</b>	<b>70.5</b>	<b>327.8</b>	<b>398.3</b>
Net book value at 30 June 2016	55.5	146.5	202.0
Net book value at 30 June 2017	<b>51.9</b>	<b>136.0</b>	<b>187.9</b>
<b>Net book value at 30 June 2018</b>	<b>54.4</b>	<b>117.1</b>	<b>171.5</b>

Impairment charges for the year of £10.7m (30 June 2017: £7.7m) comprise of £10.5m (30 June 2017: £7.2m) which has been recognised in respect of exceptional items relating to continuing operations and £0.2m (30 June 2017: £0.5m) in respect of operating profit before exceptional items. The impairment reversal for the year of £0.6m (30 June 2017: £0.7m) has been recognised as an exceptional item.

**FINANCE LEASES**

The net book value of property, plant and equipment held under finance leases was:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Land and buildings	<b>3.5</b>	4.2
Fixtures, fittings, plant and machinery	<b>1.4</b>	1.9
<b>Net book value at end of period</b>	<b>4.9</b>	6.1

There were no additions to assets held under finance leases in the year (year ended 30 June 2017: £2.1m), nor were there any disposals to assets held under finance leases in the year (year ended 30 June 2017: £0.5m).

**ASSETS UNDER CONSTRUCTION**

Included in property, plant and equipment are assets in the course of construction of £6.2m (30 June 2017: £7.6m).

## 12 IMPAIRMENT REVIEWS

At 30 June 2018, the Group had the following goodwill and intangible assets with indefinite useful life:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
UK Digital goodwill	<b>£53.4</b>	£53.4
Grosvenor casino goodwill	<b>£80.9</b>	£80.9
Spanish digital goodwill	<b>£32.3</b>	–
<b>Total goodwill</b>	<b>£166.6</b>	£134.3
Casino licences	<b>£229.1</b>	£231.9
Spanish bingo licences	<b>£11.0</b>	£9.7
<b>Total casino and other gaming licences*</b>	<b>£240.1</b>	£241.6

\* In note 10 £1.8m (30 June 2017: £2.9m) of casino and other gaming licences relate to definite life assets.

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. The recoverable amount is determined based on the higher of the fair value less costs of disposal and value in use. The nature of the test requires that the directors exercise judgement and estimation.

The most recent test was conducted at 1 May 2018. Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered not impaired. If there are legacy impairments for such assets, these are considered for reversal.

Value-in-use calculations are based upon estimates of future cash flows derived from the Group's annual budget for the next financial year and the Group's strategic plan for the following two years. The budget and strategic plan are updated in April and have been approved by the board of directors. Future cash flows will also include an estimate of long-term growth rates, which are estimated by division.

Discount rates are applied to each CGU's cash flows and reflect both the time value of money and the risks that apply to the cash flows of that CGU. These are estimated by management based on typical debt and equity costs for listed gaming and betting companies with similar risk profiles. The discount rates are calculated on a pre-tax basis and the calculations incorporate estimates of the tax rates that will apply to the future cash flows of the applicable CGU.

The principal assumptions underlying the CGU cash flow forecasts include:

- the underlying business model will continue to operate on a comparable basis, adjusted for expected regulatory or tax changes and planned business initiatives;
- recent growth or decline trends in customer visits and spend per visit will continue, adjusted for changes in the business model or expected changes in the wider industry or economy;
- CGUs will achieve normal win margins, which are based upon historic experience;
- expenses are assessed separately by category through a bottom-up process. Assumptions include an extrapolation of recent cost inflation trends, known inflation trends such as the national living wage and an expectation that costs will be incurred in line with agreed contractual rates.

The other significant assumptions incorporated into impairment reviews are those relating to discount rates and long-term growth.

	DISCOUNT RATE	LONG-TERM GROWTH RATE
Grosvenor casinos	11.5%	2%
Mecca	11.5%	0%
Enracha	13.0%	2%
UK Digital	11.0%	2%

Where a CGU does not have an indefinite life intangible, the CGU is only assessed for impairment where an indicator of impairment to the associated definite life intangible and/or property, plant and equipment is identified.

During the period, the following indicators of impairment were identified at several CGUs:

- a significant increase in competition within the local economic environment
- a sustained period of club underperformance

During the period, the following indicators of reversal were identified:

- a significant reduction in the regional gaming tax rate where the club operates

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**12 IMPAIRMENT REVIEWS CONTINUED**

The approach to determine recoverable amounts for a CGU where an indicator is present remains the same and is determined based on the higher of fair value less costs of disposal and value in use.

As a result of the procedures outlined above, the following impairment charges and reversals were recognised during the year:

£M	IMPAIRMENTS RECOGNISED		IMPAIRMENT REVERSALS		TOTAL
	EXCEPTIONAL (LOSS) / PROFIT	CONTINUING OPERATION (LOSS) / PROFIT	EXCEPTIONAL (LOSS) / PROFIT	CONTINUING OPERATION (LOSS) / PROFIT	
<b>Property, plant and equipment</b>					
Grosvenor Venues	(6.6)	(0.1)	–	–	(6.7)
Mecca Venues	(3.2)	(0.1)	–	–	(3.3)
Enracha	(0.7)	–	0.6	–	(0.1)
<b>Intangible assets</b>					
Grosvenor Venues	(3.2)	(0.3)	–	–	(3.5)
Mecca Venues	(0.2)	–	–	–	(0.2)
Enracha	–	–	1.2	–	1.2
<b>Total</b>	<b>(13.9)</b>	<b>(0.5)</b>	<b>1.8</b>	<b>–</b>	<b>(12.6)</b>

**SENSITIVITY OF IMPAIRMENT REVIEW**

For CGUs reviewed at 1 May 2018, no impairment would occur under any reasonable possible changes in assumptions upon which the recoverable amount was estimated, other than a 15% decrease in future cash flows would lead to a £10.3m impairment within the Grosvenor Venues segment.

**13 INVESTMENTS**

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
<b>GROUP – AVAILABLE-FOR-SALE INVESTMENT</b>		
Other investment – conversion of convertible loan	3.5	–
<b>Net book value at end of year</b>	<b>3.5</b>	<b>–</b>
On 4 June 2018 the Group exercised its right to convert £3.5m of principal loan notes due from its digital platform provider into 17.18% of their share capital. Due to the Group having an irrevocable right to the shares and notice having been issued pre-year end the loan has been recognised as an investment as at 30 June 2018, and share certificates were received on 6 July 2018. The Group considered whether it had significant influence over its digital platform provider but concluded this was not the case and therefore the holding is not considered an investment in an associate. Based on the latest known financial performance and knowledge of the intellectual property that has been developed the fair value of the investment is considered to equate to its cost.		
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
<b>COMPANY – INVESTMENT IN SUBSIDIARIES</b>		
Cost		
At start of year	1,452.5	1,518.7
Movements	(0.2)	(0.5)
Transfer of investment	–	(65.7)
<b>At end of year</b>	<b>1,452.3</b>	<b>1,452.5</b>
Provision for impairment		
At start of year	57.7	77.0
Impairment charge	286.7	–
Impairment reversal	(23.9)	–
Transfer of investment	–	(19.3)
<b>At end of year</b>	<b>320.5</b>	<b>57.7</b>
<b>Net book value at end of year</b>	<b>1,131.8</b>	<b>1,394.8</b>

As part of a project to simplify the Group's organisational structure and to increase reserves available for distribution in the current year, the Company recognised an impairment charge of £286.7m due to the receipt of a £549.4m dividend from a subsidiary. There was also an impairment reversal of £23.9m due to an increase in the assessed value of one of its subsidiaries. Finally, the Company recognised a £0.2m reduction in cost which related to the movement in fair value of services, recognised by subsidiary undertakings, arising from equity-settled share awards granted as part of the LTIP reward by the Company.

A list of all the Company investments in subsidiaries, including the name, country of incorporation, registered office and proportion of ownership interest is given in note 33.

## 14 INVENTORIES

	GROUP	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Finished goods		<b>2.5</b>	2.8

There were no write downs of inventory in either year.

## 15 OTHER RECEIVABLES

	GROUP	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Current			
Other receivables		<b>8.2</b>	5.4
Less: provisions for impairment of other receivables		<b>(0.3)</b>	(0.1)
Other receivables – net		<b>7.9</b>	5.3
Prepayments		<b>21.3</b>	20.0
		<b>29.2</b>	25.3
Non-current			
Other receivables		<b>3.7</b>	2.8
Convertible loan note		–	3.7
		<b>3.7</b>	6.5

### GROUP

The directors consider that the carrying value of other receivables and convertible loan notes approximate to their fair value.

As at 30 June 2018 other receivables of £0.8m (30 June 2017: £0.2m) were past due but not impaired.

The creation and release of provisions for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

On 4 June 2018 the Group exercised an option to convert a principal loan of £3.5m into 17.18% of the issued share capital of its UK digital platform provider. The remaining interest due of £0.3m has been included within other receivables and has been received post year end.

## 16 TRADE AND OTHER PAYABLES

	GROUP	COMPANY	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M
Current			
Trade payables	<b>4.9</b>	11.6	–
Social security and other taxation	<b>32.0</b>	30.5	–
Contingent consideration	<b>24.0</b>	–	–
Other payables	<b>92.2</b>	86.8	<b>0.1</b>
<b>Trade and other payables – current</b>	<b>153.1</b>	128.9	<b>0.1</b>
Non-current			
Deferred consideration	<b>1.7</b>	–	–
Other payables	<b>28.9</b>	31.8	–
<b>Trade and other payables – non-current</b>	<b>30.6</b>	31.8	–

Other payables includes £2.9m current payables (30 June 2017: £2.9m) and £28.9m non-current payables (30 June 2017: £31.8m) in respect of above market-rent-property contracts acquired through business combinations.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**17 INCOME TAX**

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Income tax receivable	—	0.3
Income tax payable – continuing operations	(8.3)	(10.7)
Income tax payable – discontinued operations	(2.0)	(2.0)
Income tax payable	(10.3)	(12.7)
<b>Net income tax payable</b>	<b>(10.3)</b>	<b>(12.4)</b>

Income tax payable on discontinued operations relates to potential tax liabilities that are attributable to disposed entities with historic tax audits. The liability represents management's current estimate of the payments that will be required to settle the issues.

**18 FINANCIAL ASSETS AND LIABILITIES**(a) *Interest-bearing loans and borrowings*

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
<b>Current interest-bearing loans and borrowings</b>		
Bank overdrafts	ON DEMAND	<b>2.7</b>
Obligations under finance leases	VARIOUS	<b>1.5</b>
Term loans	MARCH 2019	<b>50.0</b>
7.125% Yankee bonds	JANUARY 2018	—
<b>Other current loans</b>		
Accrued interest	JULY 2018	<b>0.1</b>
Unamortised facility fees	VARIOUS	(0.1)
<b>Total current interest-bearing loans and borrowings</b>		<b>54.2</b>
<b>Non-current interest-bearing loans and borrowings</b>		
Term loans	MARCH 2019	—
Obligations under finance leases	VARIOUS	<b>5.5</b>
<b>Total non-current interest-bearing loans and borrowings</b>		<b>5.5</b>
<b>Total interest-bearing loans and borrowings</b>		<b>59.7</b>
Sterling		<b>59.7</b>
US dollars		—
<b>Total interest-bearing loans and borrowings</b>		<b>59.7</b>

**BANK OVERDRAFTS**

Bank overdrafts are for short-term funding and are repayable on demand.

**YANKEE BONDS**

The Yankee bonds was fully repaid with cash in January 2018.

**TERM LOAN FACILITIES**

Three and a half year facilities totalling £90.0m were signed on 29 September 2015 and consist of three bi-lateral term loans totalling £90.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent. £20.0m was repaid in the period and the total drawn term loans at 30 June 2018 was £50.0m (30 June 2017: £70.0m).

**REVOLVING CREDIT FACILITIES**

Five year facilities were signed on 29 September 2015 consisting three multi-currency revolving credit bi-lateral facilities totalling £90.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of which are LIBOR dependent. There were no drawings on the multi-currency revolving credit facilities at 30 June 2018, providing the Group with £90.0m of undrawn committed facilities.

**COVENANTS**

The Group complied with all its covenants during the year.

**COMPANY**

The Company did not hold any external interest-bearing loans or borrowings at 30 June 2018 (30 June 2017: £nil). The Company holds interest-bearing loans with other Group companies at 30 June 2018 of £353.6m (30 June 2017: £861.5m)

*(b) Hedging activities*

The Group has not carried out any hedging activities in either period.

*(c) Fair values*

The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 30 June 2018 and 30 June 2017.

GROUP	FAIR VALUE HIERARCHY	CARRYING AMOUNT		FAIR VALUE		
		AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	
<b>Financial assets:</b>						
<b>Available for sale</b>						
Other investment – unquoted equity shares	LEVEL 3	3.5	–	3.5	–	
<b>Loans and receivables</b>						
Other receivables	LEVEL 2	1.6	4.1	1.6	4.1	
Convertible loan note	LEVEL 3	–	3.7	–	3.7	
Cash and short-term deposits	LEVEL 1	50.4	79.0	50.4	79.0	
<b>Total</b>		<b>55.5</b>	86.8	<b>55.5</b>	86.8	

**Financial liabilities:****Other financial liabilities**

COMPANY	FAIR VALUE HIERARCHY	CARRYING AMOUNT		FAIR VALUE		
		AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	
<b>Financial assets:</b>						
<b>Loans and receivables</b>						
Cash and short-term deposits	LEVEL 1	0.4	0.4	0.4	0.4	
<b>Total</b>		<b>0.4</b>	0.4	<b>0.4</b>	0.4	

**Financial liabilities:****Other financial liabilities**

COMPANY	FAIR VALUE HIERARCHY	CARRYING AMOUNT		FAIR VALUE		
		AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	
<b>Financial assets:</b>						
<b>Loans and receivables</b>						
Trade and other payables	LEVEL 3	0.1	1.7	0.1	1.7	
Financial guarantee contracts	LEVEL 2	1.7	0.9	1.7	0.9	
Amounts owed to subsidiary undertakings	LEVEL 2	353.6	861.5	353.6	861.5	
<b>Total</b>		<b>355.4</b>	864.1	<b>355.4</b>	864.1	

## 18 FINANCIAL ASSETS AND LIABILITIES CONTINUED

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions are applied:

- cash and short-term deposits, other receivables, bank overdrafts and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of fixed rate borrowings is based on price quotations at the reporting date;
- the fair value of floating rate borrowings and obligations under finance leases approximates to their carrying amounts; and
- the fair value of onerous property leases and lease disposal settlements approximate to their carrying amount as they are discounted at current rates.

### FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the carrying value of financial instruments that are measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### FINANCIAL RISK FACTORS

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The finance committee is supported by the Group's senior management, which advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The board of directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### *(a) Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the positions at 30 June 2018 and 30 June 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

#### *(i) Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group's current policy is not to hedge foreign currency risk.

### FOREIGN CURRENCY SENSITIVITY

The following table demonstrates the sensitivity of a possible change in the US dollar and euro, with all other variables held constant, to the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	EFFECT ON PROFIT BEFORE TAX		EFFECT ON EQUITY	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Change in foreign exchange rates:				
+10.0% US\$	–	1.0	–	–
-10.0% US\$	–	(1.2)	–	–
+10.0% euro	(0.1)	(0.1)	(13.0)	(3.9)
-10.0% euro	0.1	0.1	13.0	3.9

#### (ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Historically the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Due to the current economic climate and the Group's current low level of debt the Group has exercised its right to operate outside the Group policy of maintaining between 40% and 60% of its borrowings at fixed rate of interest. At 30 June 2018, 12% of the Group's borrowings were at a fixed rate of interest (30 June 2017: 21%).

#### (iii) Interest rate sensitivity

The table below demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings, cash and short-term deposits.

	EFFECT ON PROFIT BEFORE TAX	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Sterling:		
100 basis point increase	(0.5)	(0.4)
200 basis point increase	(1.0)	(0.8)

There was no impact on equity in either year as a consequence of loan arrangements.

Due to current low interest rates, any further decline would not have a material impact on income and equity for the year. As such, sensitivity to a decrease in interest rates has not been presented.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either year.

#### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### FINANCIAL INSTRUMENTS AND CASH DEPOSITS

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the year subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BB'. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit and debit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any material losses from non-performance of its counterparties.

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced three times a year. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance is reviewed monthly during the month-end process to ensure sufficient headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A three-year forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facilities are the £90.0m (30 June 2017: £90.0m) bank facility comprising three bi-lateral bank facilities which expire in September 2020 and the £50.0m (30 June 2017: £70.0m) bank facility comprising three bi-lateral bank facilities which expire in March 2019. The Group proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	ON DEMAND £M	LESS THAN 12 MONTHS £M	1 TO 2 YEARS £M	2 TO 5 YEARS £M	GREATER THAN 5 YEARS £M	TOTAL £M
<b>At 30 June 2018</b>						
Interest-bearing loans and borrowings <sup>1</sup>	<b>2.7</b>	<b>52.3</b>	<b>1.9</b>	<b>2.9</b>	<b>1.8</b>	<b>61.6</b>
Trade and other payables	—	<b>78.5</b>	—	—	—	<b>78.5</b>
Property leases	—	<b>6.7</b>	<b>4.3</b>	<b>11.6</b>	<b>20.0</b>	<b>42.6</b>
Deferred consideration	—	<b>25.3</b>	<b>1.8</b>	—	—	<b>27.1</b>
	<b>2.7</b>	<b>162.8</b>	<b>8.0</b>	<b>14.5</b>	<b>21.8</b>	<b>209.8</b>
<b>At 30 June 2017</b>						
Interest-bearing loans and borrowings <sup>1</sup>	<b>2.5</b>	<b>33.9</b>	<b>52.2</b>	<b>4.3</b>	<b>2.4</b>	<b>95.3</b>
Trade and other payables	—	<b>80.3</b>	—	—	—	<b>80.3</b>
Property leases	—	<b>4.9</b>	<b>2.7</b>	<b>7.6</b>	<b>13.6</b>	<b>28.8</b>
	<b>2.5</b>	<b>119.1</b>	<b>54.9</b>	<b>11.9</b>	<b>16.0</b>	<b>204.4</b>

1. The bank facility interest payments were based on current LIBOR as at the reporting date.

Interest payments on the interest-bearing loans and borrowings have been projected until the instruments mature.

### CAPITAL MANAGEMENT

As a result of the difficult conditions that have developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'loans and borrowings' as shown in the consolidated balance sheet) less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items, depreciation and amortisation from continuing operations.

The leverage ratios at 30 June 2018 and 30 June 2017 were as follows:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Total loans and borrowings (note 18)	<b>59.7</b>	91.6
Less: Cash and short-term deposits	<b>(50.4)</b>	(79.0)
Less: Accrued interest	<b>(0.1)</b>	(0.4)
Less: Unamortised facility fees	<b>0.1</b>	0.2
Net debt	<b>9.3</b>	12.4
Continuing operations		
Operating profit before exceptional	<b>77.0</b>	83.5
Add: Depreciation and amortisation	<b>43.0</b>	45.3
EBITDA	<b>120.0</b>	128.8
 Leverage ratio	 <b>0.1</b>	 0.1

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment, the Group considers its progressive dividend policy to be appropriate.

### COLLATERAL

The Group did not pledge or hold any collateral at 30 June 2018 (30 June 2017: £nil).

### COMPANY

The maximum exposure to credit risk at the reporting date is the fair value of its cash and short-term deposits of £0.4m (30 June 2017: £0.4m).

The Company does not have any other significant exposure to financial risks.

## 20 DEFERRED TAX

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Deferred tax assets:		
Accelerated capital allowances	<b>13.6</b>	12.3
Tax losses carried forward	<b>0.4</b>	0.1
Business combinations – property lease fair value adjustments	<b>4.0</b>	4.3
Other UK temporary differences	<b>0.8</b>	1.1
<b>Deferred tax assets</b>	<b>18.8</b>	17.8
 Deferred tax liabilities:		
Other overseas temporary differences	<b>(7.9)</b>	(2.4)
Business combinations – non-qualifying properties	<b>(0.5)</b>	(0.5)
Temporary differences on UK casino licences	<b>(34.4)</b>	(34.7)
<b>Deferred tax liabilities</b>	<b>(42.8)</b>	(37.6)
 <b>Net deferred tax liability</b>	<b>(24.0)</b>	(19.8)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**20 DEFERRED TAX CONTINUED**

The Company has £nil (30 June 2017: £nil) deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £18.4m (30 June 2017: £17.7m) have been offset and disclosed on the balance sheet as follows:

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Deferred tax assets	0.4	0.1
Deferred tax liabilities	(24.4)	(19.9)
<b>Net deferred tax liability</b>	<b>(24.0)</b>	<b>(19.8)</b>

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £nil (30 June 2017: £nil) that are carried forward for offset against suitable future taxable profits.

The Group has UK capital losses carried forward of £783m (30 June 2017: £784m). These losses are available for offset against future UK chargeable gains. No deferred tax asset (30 June 2017: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

**TEMPORARY DIFFERENCES ASSOCIATED WITH GROUP INVESTMENTS**

There was no deferred tax liability recognised (30 June 2017: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

	GROUP	
	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	1.3	0.2
Deferred tax movement on fair-valued assets	–	0.1
Tax losses	0.3	(1.2)
Business combinations – property lease fair value adjustments	(0.3)	(0.5)
Temporary differences on UK casino licences	0.3	1.8
Other temporary differences	(0.5)	(0.7)
<b>Total deferred tax credit (charge)</b>	<b>1.1</b>	<b>(0.3)</b>

The deferred tax movement on the balance sheet is as follows:

	GROUP		COMPANY	
	30 JUNE 2018 £M	30 JUNE 2017 £M	30 JUNE 2018 £M	30 JUNE 2017 £M
As at start of year		(19.8)	(19.7)	– (0.1)
Exchange adjustments		(0.1)	–	–
Acquisition of QSB Gaming Limited ('YoBingo')		(5.3)	–	–
Deferred tax credit (charge) in the income statement	11	(0.3)	–	0.1
Deferred tax credit to other comprehensive income and equity	0.1	0.2	–	–
As at end of year		(24.0)	(19.8)	–

## 21 PROVISIONS

GROUP	PROPERTY LEASE PROVISIONS £M	DISPOSAL PROVISIONS £M	RESTRUCTURING PROVISIONS £M	INDIRECT TAX PROVISION £M	TOTAL £M
At 1 July 2017	24.6	4.2	3.7	1.2	33.7
Unwinding of discount	0.2	–	–	–	0.2
Charge to the income statement – exceptional	14.3	–	0.2	–	14.5
Release to the income statement – exceptional	(0.7)	–	(0.2)	–	(0.9)
Released to income statement – operating	–	(0.1)	–	–	(0.1)
Utilised in year	(2.4)	(0.1)	(3.3)	–	(5.8)
At 30 June 2018	<b>36.0</b>	<b>4.0</b>	<b>0.4</b>	<b>1.2</b>	<b>41.6</b>
Current	<b>6.2</b>	<b>0.2</b>	<b>0.4</b>	<b>1.2</b>	<b>8.0</b>
Non-current	<b>29.8</b>	<b>3.8</b>	<b>–</b>	<b>–</b>	<b>33.6</b>
Total	<b>36.0</b>	<b>4.0</b>	<b>0.4</b>	<b>1.2</b>	<b>41.6</b>

Provisions have been made based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation.

### PROPERTY LEASE PROVISIONS

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have a weighted average unexpired life of 10 years (30 June 2017: 11 years). Of the provision totalling £36.0m, it is estimated £20.3m will be utilised over periods ranging from one to five years, £10.6m will be utilised over periods ranging from five to 10 years; and the remaining £5.1m will be utilised over periods in excess of 10 years.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**21 PROVISIONS CONTINUED****DISPOSAL PROVISIONS**

Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held comprise the following:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Legacy industrial disease and personal injury claims	3.8	4.0
Other	0.2	0.2
<b>Total disposal provisions</b>	<b>4.0</b>	<b>4.2</b>

**RESTRUCTURING PROVISIONS**

A provision of £0.4m (30 June 2017: £3.7m) has been made for remaining exceptional restructuring and relocation costs.

**INDIRECT TAX PROVISION**

The indirect tax provision relates to an amusement machine licence duty claim by HMRC. The balance of £1.2m represents the directors' best estimate of the outflow likely to arise.

**COMPANY**

Provision has been made for legacy industrial disease and personal injury claims. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held comprise the following:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Legacy industrial disease and personal injury claims	1.1	1.2
Other	0.1	0.1
<b>Disposal provisions</b>	<b>1.2</b>	1.3
Current	0.2	0.3
Non-current	1.0	1.0
<b>Total</b>	<b>1.2</b>	1.3

**22 SHARE CAPITAL**

	AS AT 30 JUNE 2018		AS AT 30 JUNE 2017	
	NUMBER M	NOMINAL VALUE £M	NUMBER M	NOMINAL VALUE £M
Authorised ordinary shares of 13 8/9p each	1,296.0	180.0	1,296.0	180.0
AS AT 30 JUNE 2018		AS AT 30 JUNE 2017		
	NUMBER M	NOMINAL VALUE £M	NUMBER M	NOMINAL VALUE £M
As at 30 June 2017 and 30 June 2018 – issued and fully paid	390.7	54.2	390.7	54.2

## 23 NOTES TO CASH FLOW

Reconciliation of operating profit to cash generated from continuing operations:

	GROUP		COMPANY	
	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
<b>Continuing operations</b>				
Operating profit (loss)	<b>50.1</b>	84.5	<b>(261.8)</b>	(0.4)
Exceptional items	<b>26.9</b>	(1.0)	<b>262.8</b>	1.4
Operating profit before exceptional items	<b>77.0</b>	83.5	<b>1.0</b>	1.0
Depreciation and amortisation	<b>43.0</b>	45.3	—	—
Settlement of share based payments	<b>(1.7)</b>	—	<b>(0.6)</b>	—
Share-based payments	<b>(0.2)</b>	(0.7)	<b>(0.2)</b>	(0.3)
Loss on disposal of property, plant and equipment	<b>0.3</b>	0.9	—	—
Impairment of intangible assets	<b>0.3</b>	—	—	—
Impairment of property, plant and equipment	<b>0.2</b>	0.5	—	—
Decrease in inventories	<b>0.3</b>	0.1	—	—
(Increase) decrease in other receivables	<b>(3.4)</b>	11.0	—	—
Decrease in trade and other payables	<b>(6.4)</b>	(12.2)	<b>(0.8)</b>	(0.5)
	<b>109.4</b>	128.4	<b>(0.6)</b>	0.2
Cash utilisation of provisions (see note 21)	<b>(5.8)</b>	(7.8)	<b>(0.1)</b>	(0.1)
Cash payments in respect of exceptional items	<b>(1.2)</b>	(4.3)	—	—
<b>Cash generated from operations</b>	<b>102.4</b>	116.3	<b>(0.7)</b>	0.1

## 24 CASH AND SHORT-TERM DEPOSITS

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Cash at bank and on hand	<b>49.4</b>	51.5
Short-term deposits	<b>1.0</b>	27.5
<b>Total</b>	<b>50.4</b>	79.0

The analysis of cash and short-term deposits by currency is as follows:

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Sterling	<b>42.7</b>	72.7
Euro	<b>7.7</b>	6.3
<b>Total</b>	<b>50.4</b>	61.0

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

### COMPANY

At 30 June 2018 the Company had cash and short-term deposits of £0.4m (30 June 2017: £0.4m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**25 RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES**

Reconciliation of net debt:

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Cash and cash equivalents	47.7	76.5
Borrowings	(57.0)	(88.9)
Net debt	(9.3)	(12.4)

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following:

	GROUP	
	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Cash at bank and on hand	49.4	51.5
Short-term deposits	1.0	27.5
	50.4	79.0
Bank overdrafts	(2.7)	(2.5)
Total	47.7	76.5

Changes in liabilities arising from financing activities:

	TRANSACTIONS YEAR ENDED 30 JUNE 2018			AS AT 30 JUNE 2017 £M
	AS AT 30 JUNE 2018 £M	CASH FLOW	NON-CASH CHANGES	
Obligations under finance leases	7.0	1.4	–	8.4
Term loans	50.0	20.0	–	70.0
7.125% Yankee bonds	–	10.1	0.4	10.5
Total borrowings	57.0	31.5	0.4	88.9

**26 EMPLOYEES AND DIRECTORS**

(a) Employee benefit expense for the Group during the year

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Wages and salaries	192.0	197.4
Social security costs	18.0	19.8
Pension costs	4.5	4.7
Share-based payments	(0.2)	(0.8)
	214.3	221.1

The Company has no employees (year ended 30 June 2017: nil).

(b) Average monthly number of employees

	FULL-TIME YEAR ENDED 30 JUNE 2018	PART-TIME YEAR ENDED 30 JUNE 2018	TOTAL YEAR ENDED 30 JUNE 2018	FULL-TIME YEAR ENDED 30 JUNE 2017	PART-TIME YEAR ENDED 30 JUNE 2017	TOTAL YEAR ENDED 30 JUNE 2017
Grosvenor Venues	4,081	1,767	5,848	4,312	1,939	6,251
Mecca Venues	597	2,330	2,927	666	2,409	3,075
UK Digital	187	11	198	163	12	175
Enracha	446	83	529	446	78	524
Central Costs	328	38	366	325	28	353
	5,639	4,229	9,868	5,912	4,466	10,378

*(c) Key management compensation*

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Salaries and short-term employee benefits (including social security costs)	3.4	4.6
Termination benefits	0.4	0.4
Post-employment benefits	0.3	0.3
Share-based payments	(0.3)	(0.7)
	3.8	4.6

Included in key management compensation are bonuses of £0.2m in respect of the current year that will be paid in 2017/18 (year ended 30 June 2017: £1.0m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 54. Further details of emoluments received by directors are included in the remuneration report.

*(d) Directors' interests*

The directors' interests in shares of the Company, including conditional awards under the Long-Term Incentive Plan, are detailed in the remuneration report.

*(e) Total emoluments of the directors of The Rank Group plc*

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Salaries, fees and benefits	1.6	1.9
Post-employment benefits	0.1	0.1
	1.7	2.0

No director accrued benefits under defined benefit pension schemes in either year. One director (year ended 30 June 2017: none) is a member of the Group's defined contribution pension plan at the year end. Further details of emoluments received by directors, including the aggregate amount of gains made by directors upon the vesting of conditional share awards, are disclosed in the remuneration report on page 88.

## 27 SHARE-BASED PAYMENTS

During the year ended 30 June 2018, the Company operated an equity settled Long-Term Incentive Plan ('LTIP'). Further details of the LTIP are included in the remuneration report on page 82. The LTIP is an equity settled scheme and details of the movements in the number of shares are shown below:

	AS AT 30 JUNE 2018	AS AT 30 JUNE 2017
Outstanding at start of the year	4,155,814	4,434,222
Granted	6,094,993	-
Exercised	(719,549)	-
Expired	(1,082,428)	-
Forfeited	(1,492,078)	(278,408)
<b>Outstanding at end of the year</b>	<b>6,956,752</b>	<b>4,155,814</b>

	AS AT 30 JUNE 2018	AS AT 30 JUNE 2017
Weighted average remaining life	3.8 YEARS	1.2 YEARS
Weighted average fair value for shares granted during the year (p)	159.2	-

There are two LTIP awards currently in issue.

*LTIP – 2014/15 award*

Vests in three tranches: 45% in December 2017, 30% in December 2018 and 25% in December 2019. All LTIP awards have £nil exercise price.

The fair value of the LTIP awards granted in the previous years was based on the market value of the share award at grant date less the expected value of dividends forgone.

To the extent that grants were subject to non-market based performance conditions, the expense recognised was based on expectations of these conditions being met. The current scheme's non-market performance conditions were subject to results as at 30 June 2017 as well as future service. During the year the first tranche of shares vested and 0.7m shares were exercised and settled. The total cash cost of settlement was £1.7m and the weighted average share price at the date of issue was £2.38. As at 30 June 2018, 0.9m shares are outstanding and still subject to future service conditions.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**27 SHARE-BASED PAYMENTS CONTINUED**

The Group recognised a £0.2m net credit (30 June 2017: £0.8m credit) in operating profit from accounting for share-based payments and related National Insurance in accordance with IFRS 2.

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. Of the credit in the year, £nil (30 June 2017: £0.1m credit) is in respect of such cash-settled awards. The Group has recorded liabilities at 30 June 2018 of £0.1m (30 June 2017: £0.3m).

**LTIP – 2017/18 award**

On 28 June 2018 shares were issued under a new LTIP scheme. The scheme vests in three tranches: 33.3% in October 2021, 33.3% in October 2022 and 33.3% in October 2023. All LTIP awards have a £nil exercise price.

The number of LTIP awards and the fair value per share of the LTIP awards granted during the year were as follows:

	30 JUNE 2018
Number	<b>6,094,993</b>
Weighted average fair value per share	<b>154.1P</b>

The fair value of the LTIP awards granted during the year is based on the market value of the share award at grant date less the expected value of dividends forgone. The following table lists the inputs used in assessing the fair value of the share awards:

	30 JUNE 2018
Dividend yield (%)	4.10
Vesting period (Years)	4.26
Weighted average share price (p)	<b>183.2</b>

To the extent that grants are subject to non-market based performance conditions, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date. The Group recognised £nil (30 June 2017: £nil) charge in operating profit for costs of the new scheme in the current year.

**28 RETIREMENT BENEFITS****DEFINED CONTRIBUTION SCHEME**

The Group operates the Rank Group Stakeholder Pension Plan ('the Plan'), which is externally funded, and the Plan's assets are held separately from Group assets. During the year ended 30 June 2018, the Group contributed a total of £4.5m (year ended 30 June 2018: £4.7m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either year.

**OTHER PENSION COMMITMENT**

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2018, the Group's commitment was £4.1m (30 June 2017: £4.2m). The Group paid £0.2m (year ended 30 June 2017: £0.2m) in pension payments during the year. The actuarial gain arising on the commitment, resulting from the changes in assumptions outlined below in the year, was £0.1m (year ended 30 June 2017: loss of £0.7m) before taxation and £0.1m after taxation (year ended 30 June 2017: loss of £0.6m).

	30 JUNE 2018	30 JUNE 2017
	% P.A.	% P.A.
Discount rate	2.7	2.6
Pension increases	3.2	3.3

The obligation has been calculated using the S2 mortality tables with a 1.5% per annum improvement in life expectancy.

## 29 COMMITMENTS

### GROUP

#### OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations ranging from under one year to 22 years (30 June 2017: one to 23 years)

Future minimum rentals payable under non-cancellable operating leases are as follows:

	AS AT 30 JUNE 2018 £M	AS AT 30 JUNE 2017 £M
Not later than one year	<b>47.4</b>	48.0
After one year but not more than five years	<b>155.3</b>	176.0
After five years	<b>128.0</b>	140.7
	<b>330.7</b>	364.7
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	<b>15.8</b>	20.5

#### FINANCE LEASE COMMITMENTS – GROUP AS LESSEE

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	30 JUNE 2018 £M	MINIMUM LEASE PAYMENTS 30 JUNE 2017 £M	30 JUNE 2018 £M	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 30 JUNE 2017 £M
Not later than one year	<b>2.0</b>	1.7	<b>1.5</b>	1.4
After one year but not more than five years	<b>4.8</b>	6.4	<b>4.2</b>	5.1
More than five years	<b>1.8</b>	2.4	<b>1.3</b>	1.9
	<b>8.6</b>	10.5	<b>7.0</b>	8.4
Less future finance charges	<b>(1.6)</b>	(2.1)		
Present value of minimum lease payments	<b>7.0</b>	8.4		

### CAPITAL COMMITMENTS

At 30 June 2018, the Group has contracts placed for future capital expenditure of £1.0m (30 June 2017: £3.3m).

## 30 CONTINGENT LIABILITIES

### GROUP

#### PROPERTY LEASES

Concurrent to the £211.0m sale and leaseback in 2006, the Group transferred the rights and obligations but not the legal titles of 44 property leases to a third party. The Group remains potentially liable in the event of default by the third party. Should default occur then the Group would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, eight of these have not expired or been surrendered. These eight leases have durations of between eight months and 95 years and a current annual rental obligation (net of sub-let income) of approximately £0.8m.

During 2014, the Group became aware of certain information in respect of a change in the financial position of the third party and one of the guarantors. However, the Group has not to date been notified of any default, or intention to default, in respect of the transferred leases.

#### COMPANY

At 30 June 2018, the Company has made guarantees to subsidiary undertakings of £50.8m (30 June 2017: £81.6m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**31 RELATED PARTY TRANSACTIONS****GROUP**

Details of compensation paid to key management are disclosed in note 26.

**ENTITIES WITH SIGNIFICANT INFLUENCE OVER THE GROUP**

Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong Stock Exchange has a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 June 2018, entities controlled by Hong Leong owned 56.2% of the Company's shares, including 52.0% through Guoco's wholly-owned subsidiary, Rank Assets Limited, the Company's immediate parent undertaking.

**COMPANY**

The following transactions with subsidiaries occurred in the year:

	YEAR ENDED 30 JUNE 2018 £M	YEAR ENDED 30 JUNE 2017 £M
Interest payable to subsidiary undertaking	<b>(13.9)</b>	(20.8)

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £27.5m (year ended 30 June 2017: £26.1m).

**32 ACQUISITION OF SUBSIDIARY UNDERTAKINGS**

On 21 May 2018, the Group acquired 100% of the issued share capital of QSB Gaming Limited and its subsidiaries ('YoBingo') for an initial consideration of €23.1m. Of the initial consideration, €21.1m was paid in cash on completion and €2.0m is deferred for 24 months. Further contingent consideration will also be paid in cash, subject to 2018 calendar year performance, up to a total consideration cap of €52.0m.

YoBingo.es is a leading digital bingo business in the high-growth regulated Spanish gaming market. The acquisition provides the Group with a nationally recognised brand, an established customer base and a proprietary platform including bingo, roulette and video bingo content for the Spanish market. The acquisition also provides the potential to accelerate the multi-channel strategy of Rank's established Enracha brand and operate in other regulated markets.

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. The amounts disclosed are provisional due to the proximity of the acquisition to the Group's year end and the completion account process, outlined by the sale and purchase agreement, extending beyond the finalisation of these financial statements. The accounting will be completed within the 12-month measurement period permitted by IFRS 3 'Business Combinations'.

	£M
Intangible assets	14.9
Trade and other receivables	1.4
Cash and short-term deposits	1.9
Trade and other payables	(0.9)
Income tax payable	(0.4)
Deferred tax liability	(5.2)
<b>Net assets acquired</b>	<b>11.7</b>
Goodwill	31.9
<b>Total consideration</b>	<b>43.6</b>

The fair value of each component of consideration is analysed as:

Cash	18.4
Deferred cash consideration	1.7
Contingent cash consideration	23.4
Estimated completion account adjustment	0.1
<b>Total consideration</b>	<b>43.6</b>

A reconciliation of total consideration to the cash outflow from acquisition of subsidiary undertakings included in investing activities in the Group cash flow statement is as follows:

	£M
Total consideration	43.6
Less:	
Cash and short-term deposits acquired	(1.9)
Deferred cash consideration	(1.7)
Contingent cash consideration	(23.4)
Estimated completion account adjustment	(0.1)
<b>Acquisition of subsidiary including deferred consideration</b>	<b>16.5</b>

The contingent consideration is determined based on a multiple of adjusted EBITDA for the year ended 31 December 2018, less an amount of €21.0m. The Group has recognised the maximum contingent consideration under the cap. The range of outcomes, on an undiscounted basis, is between €nil and €28.9m, such that the maximum total consideration payable cannot exceed €52.0m. The contingent consideration is expected to be paid in the first half of calendar year 2019 following completion of the process to prepare, review and agree adjusted EBITDA. The finance cost associated with the discount rate has been recognised as an exceptional item, further details of which can be found in note 4.

The identified intangible assets recognised separately from goodwill are as follows:

	£M
Customer relationships	8.6
Brand	2.8
Software and technology	3.5
<b>Total intangible assets</b>	<b>14.9</b>

The fair value of trade and other receivables of £1.4m corresponds to the book value at which all receivables are expected to be received.

The goodwill consists of future revenue opportunities, the assembled workforce (including marketing and technological expertise) and the deferred tax liability recognised on certain fair value adjustments. No amount of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of £0.4m have been recognised as an exceptional finance cost in the Group income statement.

In the year ended 30 June 2018, QSB Gaming Limited 'YoBingo' contributed statutory revenue of £1.4m and £0.3m of profit before tax. If the acquisition had occurred at the beginning of the year, the continuing statutory revenues of the combined entity in the 12 months to 30 June 2018 would have been £702.0m and profit before tax would have been £47.7m.

## 33 SUBSIDIARIES

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	REGISTERED OFFICE ADDRESS
Rank Digital Gaming (Alderney) Limited	Alderney	Interactive gaming	La Corvée House, Alderney, Channel Islands, GY9 3TQ
Blankenberge Casino-Kursaal NV	Belgium	Casino	Zeedijk (Casino), B-84030 Middelkerke, Belgium
QSB Gaming Limited	Channel islands	Intermediary holding company	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Mindful Media Limited	Channel islands	Support services to interactive gaming	Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca and Grosvenor Casinos venues	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Grosvenor Casinos Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Grosvenor Casinos (GC) Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
The Gaming Group Limited	England and Wales	Casinos	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Group Finance Plc <sup>1</sup>	England and Wales	Funding operations for the Group	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (Twenty-Five) Limited <sup>1</sup>	England and Wales	Intermediary holding company	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

## 33 SUBSIDIARIES CONTINUED

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	REGISTERED OFFICE ADDRESS
Rank Digital Holdings Limited	England and Wales	Intermediary holding company for digital entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (U.K.) Holdings Limited	England and Wales	Intermediary holding company for legacy entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company for overseas entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company for UK bingo entities and provision of shared services	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Casino Holdings Limited	England and Wales	Intermediary holding company for UK casino entities	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Mecca Bingo Limited	England and Wales	Social and bingo clubs	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Digital Limited	England and Wales	Support services to interactive gaming	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Upperline Marketing Limited	England and Wales	Support services to interactive gaming	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Associated Leisure (Amusement Machines) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Grosvenor Victoria Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Leisure Holidays Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Luda Bingo Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Linkco Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
MRC Developments Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Pleasurama Properties Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Pleasurama Property Investments Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (DMS) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank (FF) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Group Holdings Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Holidays Division Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Hotels (Management) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Leisure Machine Services Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DGMS) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DMS) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (DPL) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Nemo (HGY) Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
The Rank Organisation Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Overseas Finance Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Precision Industries Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Rank Radio International Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	REGISTERED OFFICE ADDRESS
Rank Speciality Catering Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
RO Nominees Limited	England and Wales	Dormant	TOR, Saint-Cloud Way, Maidenhead SL6 8BN
Associated Leisure France SARL	France	Dormant	4 Rue Joseph Monier, 92859 Rueil Malmaison, Cades, France
Associated Leisure France Properties SCI	France	Dormant	Zi Sud, 12 Rue des Petits Champs, 35400, St Malo, France
Rank Digital Services (Gibraltar) Limited	Gibraltar	Support services to interactive gaming	124 Irish Town, Gibraltar
Bingosoft Plc	Malta	Interactive gaming	Vault 14, Level 2, Valletta Waterfront, Floriana, FRN 1914, Malta
Rank Digital España SA	Spain	Interactive gaming	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Rank Holding España SA	Spain	Intermediary holding company	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Conticin SL	Spain	Social and bingo clubs	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Gotfor SA	Spain	Social and bingo clubs	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Rank Cataluña SA	Spain	Social and bingo clubs	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Rank Centro SA	Spain	Social and bingo clubs	Calle Balmes N° 268-270 1st Floor, 08006, Barcelona, Spain
Top Rank Andalucia SA	Spain	Social and bingo clubs	Conde Robledo 1, 14008, Cordoba, Spain
Verdiales SA	Spain	Social and bingo clubs	Sala Andalucía, Ronda, Capuchinos 19, 41008, Sevilla, Spain
Rank America Inc.	U.S.A.	Dormant	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA

1. Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All subsidiary undertakings have a 30 June year end.

## 34 POST-BALANCE SHEET EVENT

On 4 June 2018 the Group exercised its right to convert £3.5m of principal loan notes due from its digital platform provider into 17.18% of their share capital. The share certificates were received on 6 July 2018 and the conversion has been recognised as an investment as at 30 June 2018.

**FIVE YEAR REVIEW**

	<b>YEAR ENDED 30 JUNE 2018 £M</b>	<b>YEAR ENDED 30 JUNE 2017 £M</b>	<b>YEAR ENDED 30 JUNE 2016 £M</b>	<b>YEAR ENDED 30 JUNE 2015 £M</b>	<b>YEAR ENDED 30 JUNE 2014 £M</b>
<b>Continuing operations</b>					
Revenue before adjustment for customer incentives	<b>741.1</b>	755.1	753.0	738.3	707.7
Customer incentives	(50.1)	(47.9)	(44.5)	(37.6)	(29.2)
Revenue	<b>691.0</b>	707.2	708.5	700.7	678.5
Operating profit before exceptional items	<b>77.0</b>	83.5	82.4	84.0	72.4
Exceptional items (charged) credited against operating profit	(26.9)	1.0	9.3	2.1	(46.5)
Group operating profit	<b>50.1</b>	84.5	91.7	86.1	25.9
Total net financing charge	(3.4)	(4.8)	(6.2)	(11.6)	(11.5)
Profit before taxation	<b>46.7</b>	79.7	85.5	74.5	14.4
Taxation	(10.8)	(16.8)	(14.4)	(15.5)	3.0
Profit after taxation from continuing operations	<b>35.9</b>	62.9	71.1	59.0	17.4
Discontinued operations	-	-	3.6	15.8	2.8
Profit for the year	<b>35.9</b>	62.9	74.7	74.8	20.2
Adjusted earnings per share – basic	<b>15.0p</b>	16.0p	15.4p	14.6p	12.4p
Basic earnings per ordinary share	<b>9.2p</b>	16.1p	19.1p	19.1p	5.2p
Basic earnings per ordinary share before exceptional items	<b>15.0p</b>	16.2p	15.7p	14.6p	13.5p
Total ordinary dividend (including proposed) per ordinary share	<b>7.45p</b>	7.30p	6.50p	5.60p	4.50p
<b>Group funds employed</b>					
Intangible assets and property, plant and equipment	<b>630.6</b>	599.4	606.3	599.1	607.7
Provisions	(41.6)	(33.7)	(50.1)	(53.6)	(59.5)
Other net liabilities	(183.2)	(162.7)	(162.4)	(198.2)	(168.9)
Total funds employed at year end	<b>405.8</b>	403.0	393.8	347.3	379.3
Financed by					
Ordinary share capital and reserves	<b>396.5</b>	390.6	352.6	294.4	242.3
Net debt	<b>9.3</b>	12.4	41.2	52.9	137.0
	<b>405.8</b>	403.0	393.8	347.3	379.3
Average number of employees (000s)	<b>9.9</b>	10.4	10.6	10.7	10.9

## SHAREHOLDER INFORMATION

### 2018/19 FINANCIAL CALENDAR

21 September 2018	Record date for 2017/18 final dividend
18 October 2018	Annual general meeting and interim management statement
30 October 2018	Payment date for 2017/18 final dividend
31 January 2019	Interim results announcement

### REGISTRAR

All administrative enquiries relating to shares should, in the first instance, be directed to the Company's registrar (quoting reference number 1235) and clearly state the registered shareholder's name and address. Please write to The Rank Group Plc registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0371 384 2098\* and from outside the UK +44 121 415 7047).

There is a text phone available on 0371 384 2255\* for shareholders with hearing difficulties.

### SHAREVIEW

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders including how they can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: [www.shareview.co.uk](http://www.shareview.co.uk).

### PAYMENT OF DIVIDENDS

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details are above. Alternatively, shareholders who use Equiniti's Shareview can log on to [www.shareview.co.uk](http://www.shareview.co.uk) and follow the online instructions.

### SHAREHOLDER INFORMATION

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: [www.rank.com](http://www.rank.com).

#### Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: <http://www.rank.com/en/investors/shareholder-centre/faqs.html>.

### CAPITAL GAINS TAX

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the [www.rank.com](http://www.rank.com) website.

### SHAREHOLDER SECURITY

We are aware that some of our shareholders have received unsolicited telephone calls concerning their Rank shares. These communications tend to be from overseas-based 'brokers' who offer a premium price for your Rank shares but ask you to make an upfront payment, typically in the form of an insurance bond. We recommend that before paying any money you:

- obtain the name of the person and firm contacting you;
- check the FCA register at [www.fca.org.uk/register/](http://www.fca.org.uk/register/) to ensure they are authorised;
- use the details on the FCA register to contact the firm;
- call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the FCA register or you are told they are out of date; and
- search the FCA's list of unauthorised firms and individuals to avoid doing business with: [www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid](http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid)

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Below, please find the link to the FCA's website which gives information on scams and swindles, which shareholders may find helpful: [www.fca.org.uk/consumers/scams](http://www.fca.org.uk/consumers/scams)

Further information on fraud can be found at [www.actionfraud.org.uk](http://www.actionfraud.org.uk)

Action Fraud's helpline is 0300 123 2040.

We recommend that you report any attempted share frauds to the authorities, since providing information with regard to how the fraudsters have contacted and dealt with you will assist the authorities in understanding the fraudsters' way of operating so as to enable them to disrupt and prevent these activities and prosecute them.

**SHAREHOLDER INFORMATION** CONTINUED

**SHAREGIFT**

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at [www.sharegift.org](http://www.sharegift.org) or by writing to:

ShareGift

17 Carlton House Terrace  
London SW1Y 5AH

Tel: 020 7930 3737

FOR ANY OTHER INFORMATION PLEASE CONTACT THE FOLLOWING AT OUR REGISTERED OFFICE:

**Luisa Wright**, company secretary

**Sarah Powell**, communications director

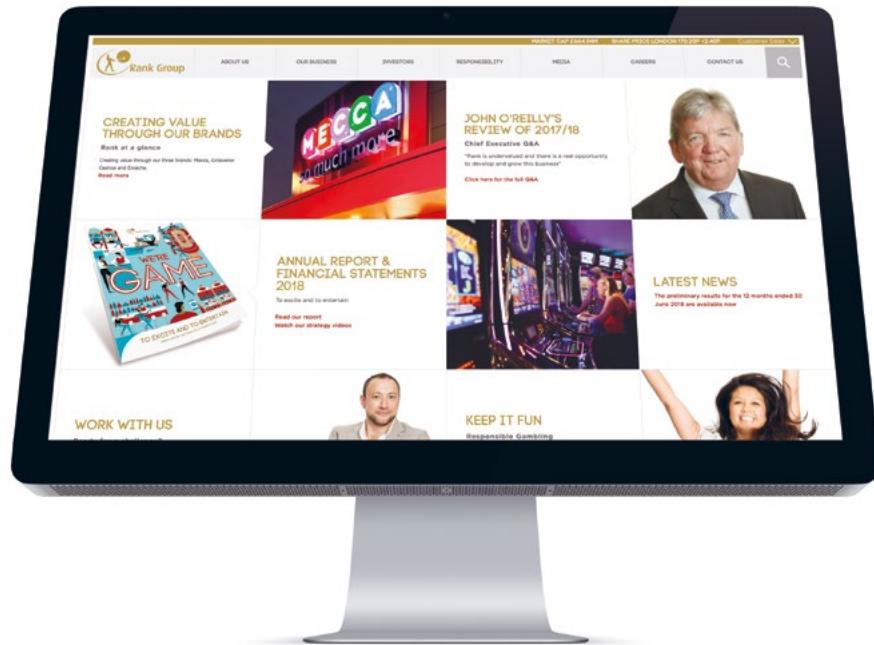
**REGISTERED OFFICE**

The Rank Group Plc,  
TOR, Saint-Cloud Way, Maidenhead SL6 8BN

Tel: 01628 504 000

The Rank Group Plc  
Registered in England and Wales N° 03140769

**FOR MORE INFORMATION,  
VISIT OUR WEBSITE.  
**WWW.RANK.COM****



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THE RANK GROUP PLC  
TOR  
SAINT-CLOUD WAY  
MAIDENHEAD  
SL6 8BN

TEL: 01628 504 000  
WEB: [WWW.RANK.COM](http://WWW.RANK.COM)

Company registration number: 03140769